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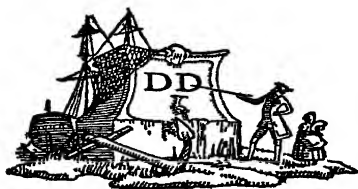


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America Unlimited

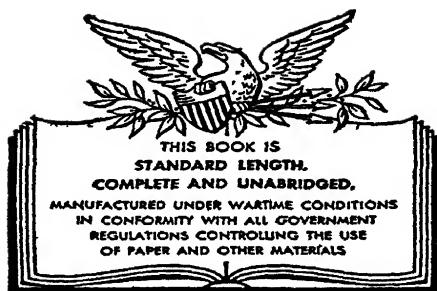
ERIC JOHNSTON

America Unlimited



An American Mercury Book

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Preface

I am writing this prefatory note after the completion of the book. Rereading the manuscript, I blanch at my own audacity in speaking with such an air of assurance on so many complex subjects. Almost in self-defense, therefore, I want to repeat at the outset what I assert here and there in the body of the book: that I am not an expert on all of the matters herein discussed.

I do not advance my views as final judgments, but simply as the honest beliefs of one fairly typical American businessman. Someone has said that a drop of water mirrors the whole universe. May not the views of one businessman mirror the whole of America? It was with some such hope, at least, that I undertook this volume. I have tried to bring broad issues down to a common-denominator, common-sense level. And I have tried to convey my own feeling that we Americans live not by bread alone, but by the food of the spirit: freedom, self-respect, democratic justice.

I have had a great deal of good fortune. Coming out of the Northwest that is my beloved home only a few years ago, I have been lucky enough to travel the length and breadth of our nation many times, and also to visit many other countries. Moreover, I have been privileged to meet the leaders of men wherever I went, as well as the rank and file. As I went along I explored the minds of these people and shamelessly appropriated what seemed to me wise, stimulating, and true.

In a sense this is *their* book, *their* common sense, *their* common denominator. I feel that I owe an over-all acknowledgment

to literally hundreds of persons—businessmen, labor leaders, workers, farmers, officials, journalists, etc.—with whom I have come in contact in the last few years.

I want at the same time to express my appreciation to *Reader's Digest*, *American Mercury*, *Collier's*, and *Nation's Business* for the right to adapt materials that first appeared as articles in their pages.

Finally, I want to acknowledge with special gratitude the wise and patient editorial help that I received in the writing of this book from Joyce O'Hara, my assistant in the United States Chamber of Commerce; Ralph Bradford, general manager, and Dr. Emerson P. Schmidt, economist of the Committee on Economic Policy of the Chamber; Lawrence Hurley, editor of *Nation's Business*; Eugene Lyons and Lawrence E. Spivak, editor and publisher respectively of the *American Mercury*; William Hard, Sr., roving editor of *Reader's Digest*; William E. Benton, vice-president of the University of Chicago; Ruth Reed and Merrie Smith, my secretaries; and my wife, Ina Hughes Johnston.

E. J.

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America Unlimited

CHAPTER I

An American Credo

The things a man believes most profoundly are rarely on the surface of his mind or the tip of his tongue. Newly acquired notions, formulas learned by rote from books, decisions based on expediency, the fashionable ideas of the moment—these are right on top of the pile, ready to be sampled and displayed in bright after-dinner conversation. But the ideas that make up a man's philosophy of life are somewhere way down below. They are imbedded in the depths of his existence, flesh of his flesh and bone of his bone.

He may be wholly unaware that he possesses anything resembling a philosophy of life. Probably he has not thought of it in such grandiose terms. Yet it was there all the time. The truths he lives by, whether he knows it or not. Assumptions, preferences, and prejudices so much a part of him that he has never felt the urge to explain or to justify them. A code of behavior that requires no act of explanation, because it is shared by his neighbors and rarely, if ever, disputed by public opinion.

Somewhere along the line, of course, these things have been tested and justified, in his personal experience and in the cumulative experience of his country. Each of the truths he lives by has a history. But the person who holds them is normally under no compulsion to defend them. It seems to him as natural, as inevitable as the color of his eyes and the shape of his nose, which, like his philosophy, are the end products of a long evolution.

When the need arises to get at these basic beliefs and examine

them—as in the case of a man writing a quite personal book like this one—he discovers that he must dig and dredge and sift the stuff of his personal history. He discovers, in fact, that his own biography is not enough. The biographies of his countrymen, and of the endless generations stretching behind them, enter into it. He discovers that his underlying convictions are not peculiarly his own at all. They seem woven into the texture of his period in time, his community, his country.

Some of the strands lead clearly to his religious background and thus tie him into centuries of Judeo-Christian ethics and teachings. Others extend no less clearly to the economic world into which he was born and within which he has had to make his way. These tie him into centuries of American striving and achievement, frustrations and conquests. Still other strands that enter into the pattern of his mind are curiously local, taking their color from rugged hills and wide spaces and breath-taking horizons; they might almost be set down as the geographical element in his personal philosophy.

In the effort to track down and arrange his basic convictions he becomes more and more aware that it is not merely his own philosophy that he is trying to comprehend, but that of his neighbors and his nation. And the realization gives him a warm feeling of intimacy, of "belonging," almost of serving as a "medium" for a whole community of men.

In my own case this feeling serves to temper self-consciousness. Rightly or wrongly, I can assure myself that in speaking for Eric Johnston I am speaking for a great legion of Eric Johnstons. What makes my essential ideas and hopes significant, I can tell myself, is not their quality of uniqueness but the fact that they are fairly typical, and certainly widespread. My views are not "original" or startling. I hazard the guess that a poll of prevailing opinion in any representative American social gathering would disclose roughly the same ingredients, the same gold and dross. I suspect that even my fondest delusions and errors are fairly typical.

In short, I feel that in so far as I succeed in identifying my own credo, I am also describing the belief, the hopes, the aspirations of a vast number of Americans.

I do not recall any prolonged period of introspection in which I tried to pull together the things I believed about American politics, economy, ways of living. Not even during that wretched year of operations and pains in the Marine hospitals of the Philippines, which was the nearest I have as yet come to long leisure. I thought a great deal in terms of work to be done, rather than in general principles. Perhaps an all-knowing outsider, watching my life as a novelist watches the lives of his characters, might have discerned the unfoldment of a philosophy of living. I suppose he would have called it practical, pragmatic, a philosophy of action. But I was too deep inside myself for any such analysis.

Not until more recent years, when I had begun to play some role in the public affairs of my city and state, did I begin to formulate and to some extent systematize my ideas and reactions. The black depression of the 1930s and the spread of various ideologies of despair—challenges to my basic beliefs—impelled me, as they did millions of others, to take apart and appraise matters that had until then been accepted uncritically. The increasing demands upon my small talents as a speaker, if nothing else, then forced me to reduce vague inner certainties to more concrete shape. I had to translate them into words, and thus also to organize them.

When I was honored by being elected president of the United States Chamber of Commerce in 1942 the pressure upon me to speak and to write—and hence to bring into focus vague beliefs and to organize them into a simple, comprehensible pattern—became much greater. I then discovered, rather in astonishment, that I did have a series of stubborn convictions about my country and its attitudes. I felt an urge to understand, explain, and defend those convictions. They had been maturing in my mind through the years. Few of them were derived

from books or artificial ideologies. They were intrinsic, inseparable from my own career and the career of the American people. They were implicit in the things I had done and thought, the men I had worked with, in the very air all of us breathed.

The result—expressed in scores of speeches and numerous magazine articles, and now summed up in this little book—was a kind of home-baked philosophy. I have been uncomfortably aware that it is not as polished, as balanced in its parts, as the theoretical systems of the “experts.” It abounds with inner contradictions and certainly cannot match any definition of perfection. But it has the virtue of being a body of living, functioning fact that has “worked” amazingly well for millions of Americans through a long chain of generations.

As a way of life it has its shortcomings. No one who has mixed with as many kinds of Americans as I have, and as closely observed the seamy side of affairs, can retain any doubts on this score. I happen to have seen a good deal of newsboys, reporters, longshoremen, tough Marines, Chinese coolies, union leaders, and every one of the fifty-seven varieties of businessmen in my day. I have come into personal contact, and sometimes conflict, with too many aspects of our amazingly rich and varied and always vital American civilization to be ignorant of deep faults and terrifying injustices.

Yet the end product of it all is a nation without precedent in human history for the spread of knowledge, for standards of living and of decency, for the prevalence of political and spiritual freedoms. We are the best-fed, best-housed, best-clothed, healthiest, and in most respects politically the freest great nation on earth; indeed, in all history. It is this huge reality of America that I would set against to the theories of perfection. In the final analysis that living reality has the same advantages that a healthy human body, for all its physical aches and emotional pressures, has over the most perfect mechanical man ever devised.

Perhaps I have already conveyed the fact that this book *grew*—

out of my personal experience, out of the labors of formulation forced upon me by the accident of leadership in business organizations. What appears in its pages, it is fair to say, is the part of the growth that is visible above the surface. The greater portion is below the surface, in roots that spread deeper and farther than I know myself. Those roots are in the soil not only of my own life but the immeasurable life of America.

On a great many occasions a curious and revealing thing has happened to me. I might be mulling over some public problem, some challenge of our times, in connection with an important address to be made. After a while I would feel that I had found a way of presenting the question and an approach to its answer. I had the inner satisfaction of mental discovery. But when the address was organized and made, many of the listeners would approach me with some such announcement as this:

"Why, Mr. Johnston, you've said just what I believe. You've put into words something I've felt all along."

And they seemed to take as much pride in the speech as if they, and not I, had made it. What I had supposed to be a personal discovery turned out to be generic. I could only suppose that it was expressive of American attitudes in which we all shared in greater or lesser measure. And that, I submit, is my whole excuse for presenting my home-baked philosophy. I do not know all the answers—a good many of the answers I do know or think I know are probably wrong—but they are honest American answers, growing out of the soil of American achievement.

2

When the Horatio Alger rags-to-riches tradition is referred to nowadays there is too often a note of derision in the speaker's voice. That seems to me both ungracious and unnecessary, because there are still two very remarkable facts about the celebrated Alger sagas of little tykes who grow into big tycoons.

The first is that they are true, not in the literal sense but in

the symbolic sense. They truly express a commonplace of American experience. Many of our Presidents have come from log cabins, from poor farms, out of boyhoods of want and drudgery. All but a few of the top men in our top corporations started from absolute scratch, with only their bare hands and tough wills to see them through. With us, inherited wealth is the exception rather than the rule and does not in itself confer leadership, except in a narrow, sterile, and utterly uninfluential "society." Elsewhere men may boast of their forebears, but with us they are more likely to boast of being "self-made"—and mightily proud of their makers.

The second fact about the Alger tradition is that it is deeply American. It comes as near as anything we have to a body of folklore. The folklore of the Old World revolves almost entirely around military prowess, knights in armor, robber barons, the deeds of the highborn. In the New World it embraces also economic prowess, revolving around men who attained wealth for themselves or for their country by opening up new industries or new territories and devising new and better ways of doing things. Americans have not yet become accustomed to looking upon poverty as an insuperable, or even serious, obstacle.

One other fact should be noted about our American folklore of success, and that is its youth. Horatio Alger only died in 1899. The customs of other nations have their roots in an old, gnarled past, whereas ours, good and bad alike, are comparatively fresh. Let us never lose the consciousness of the youth and freshness of our American civilization!

I am assuredly no Alger hero. Although I did start out in prescribed style as a newsboy, I did not end up as a multimillionaire; not by a long margin. As such matters are reckoned in prodigal America, I remain a rather middling sort in the economic scale, a "small" rather than a "big" businessman. Neither did I have any experiences as heroic or unusual as those on record for Tony the Bootblack and his fictional brethren. Come to think of it, my career has been as exciting as, but no more so

than, that of a million others—just the familiar American mixture of robust striving, bold risks, self-assurance, and good luck.

And yet the Alger pattern is in it, unmistakably. My earliest memories are compounded of the routines of economic pressure, of simple things coveted that were hopelessly beyond my financial reach.

But do not be alarmed. I do not propose to inflict a detailed story of my life on you. I touch, and that sketchily, only a few of those facets which seem to me uniquely American and which are therefore general, rather than personal, in character.

Thus the most revealing fact about that penniless, work-filled boyhood of mine is that it was devoid of resentment at the time and left no sediment of bitterness afterward. It did not occur to me that I was the victim of society; that there was anything the least bit shameful about being poor; that the folks who exchanged their pennies for my papers were "exploiting" me. Hardship did not stir me to revolt; it only served as a spur to ambition. Not once did it cross my mind that I might remain forever stuck in the mud of poverty.

And so that boyhood, as I look back upon it, seems curiously pleasant despite its externals. It had its shadows, of course, but on the whole it is diffused with the colors of self-confidence. Spokane was growing and I was growing with it. Unconsciously I soaked in the expansive freedom of spirit that was in the wide vistas of the Far West and strength that was in the rugged, untamed country of the Spokane River.

How could anyone in that environment succumb to defeatism? The very air seemed to throb with the impulse of "making good." Selling papers while in grade school, later reporting for the Spokane *Spokesman Review* at three and a half dollars a column while in high school, working on the Seattle docks while in college, seemed to me less the signs of poverty than the proofs of opportunity and success to come.

If this sounds boastful I am making a mess of the effort to

translate my remembered emotions. I knew then, as now, that there was nothing exceptional about what I did and thought. Nine out of ten of the men with whom I now associate in business or public affairs could tell the equivalent story, varying from mine only in degree and in detail. We all took hardships in our stride because opportunity seemed to us unbounded.

The penury in which I grew up was of the genteel variety without slum overtones. My ancestors fought in the Revolutionary War and my grandfather was a successful lawyer in the national capital, also farming a large acreage in gentlemanly style north of Keokuk, Iowa. My father, also originally from Iowa, was a chemist, or, as we would say today, a pharmacist. The depression of 1894 neatly finished off his modest drugstore in Washington, D. C., and in 1896, a year after my birth, he took his family to the Northwest. He tried to make a go of it in Marysville, Montana—now a ghost town—but after some eighteen months moved to Spokane. There he started another drugstore, which netted only another failure, and finally a protracted illness overtook him that eventually caused his death. In my blood, it has always seemed to me, I have the conservative, traditional East, and in my environment the adventuresome attitudes of the great Northwest.

For my mother, the ways of the raw village of Spokane must have been an ordeal. The mudholes, the crudity of the new community, the unfamiliar burdens, contrasted with the ease of her upbringing. The illness of my father meant that she was the sole support of the family. She went to work in offices—at that time, and in that place, in itself a kind of pioneering. But somehow all of it toughened her spirit without hurting its texture. She has become one of the great line of incomparable American women who laid the foundations of the civilization of our West.

Looking back at it all, I recognize that she must have known sharp fears and distressing defeats. But what she transmitted to her son was a little of the granite of her spirit—and the velvet of her human sympathy.

An uncle of mine, a lawyer in Seattle, offered to keep a staff job open for me if I would study law. On graduating from high school I therefore set off for the state university at Seattle. To cover expenses, I got a job longshoring on the Seattle docks. Leaving my law classes on Friday, I worked a ten-hour night shift on the docks, sleeping all day Saturday, and another ten-hour shift on Saturday night, sleeping all day Sunday. The pay was seventy-eight cents an hour. Later, a job as law librarian at seventy-five dollars a month enabled me to quit longshoring and to get in more studying.

In 1917 I was one of six seniors recommended by the university president at the request of the Marine Corps, which was seeking officer material. After training at Mare Island, I was sent to the Marine base at Quantico as a second lieutenant and bayonet instructor, subsequently returning to Mare Island in the same capacity. In 1919, with the proud title of captain, I was detailed to the legation guard in Peking. Later I went on missions into interior China, Siberia, and Japan.

Life in Peking was not unpleasant, and when the war ended I had resolved to make a career of the Marine Corps. But the great intruder, accident, took a hand in the game. One afternoon in 1921, when I was in an unfrequented and hostile part of the Chinese capital on official business, I got into a row with natives and was clubbed over the head as my reward. A whole series of illnesses ensued, and for a year I knew the misery of many operations and the impatience of slow convalescence.

Retired from the Marines, I was back home in Spokane in 1922. The physicians had recommended that I do outdoor work. I therefore found a job peddling vacuum cleaners from door to door. Before long I was repairing them as well, and learning electrical appliances by the simple but effective method of taking them apart and assembling them again. And that was how I walked into the electrical field.

I shall not trace the steps here. Suffice that they included a retail shop for display of cleaners and washing machines, and

about two years later the purchase of the largest electrical contracting and retail appliance firm in the Northwest. My share of the capital for the shop had been made while I was in Peking, in pyramiding operations in foreign exchange that expanded \$100 into \$2,500. The capital for the big purchase came chiefly from an enterprising bank.

In 1929 I headed a trade organization called the Inland Empire Manufacturers' Association, and in 1931 I became president of the Spokane Chamber of Commerce. In behalf of a bank I undertook to salvage the Washington Brick, Lime, and Sewer Pipe Company, which was in deep red to the tune of \$260,000. This was in 1933—a year of gloomiest depression—and temptation was strong to liquidate the meager assets of the organization. Instead, I put it back to work, and recently, just ten years later, I turned the company back to its owners without a trace of red in its balance sheet, sizable capital in the bank, and profitable operations in full blast. As head of the company I take keenest pride not only in its survival and prosperity, but in the circumstance that its minimum wage, for common labor, has risen in the decade from thirty-seven and one half to eighty-six cents an hour.

I have telescoped twenty years of business struggle into a few paragraphs. But the history of any business career must either be told at immense length or totaled up in a few words. The great coups, the successes at one fell swoop, are the rare exceptions. The rule is a process of slow building, concentration upon detail, and the continuous study and wooing of the man who, in the final analysis, rules America—the customer. It is a process that has its disappointments and heartaches, but these are secondary. The excitement and the sense of creative progress blot out most other things. It is not an accident that Americans refer to their work as the "game" they are in.

Whatever the game, competition is its soul. It is primarily in terms of competitions won and lost that I see my own business history, when I take the trouble to look back on the landscape

of these years. Contests for markets, contracts, building sites, credits. But there is another side to free competition which critics and apologists for the American system alike almost always overlook. Yet it is a side that every businessman knows, and which I for one consider of the very essence of the capitalist system.

I refer to co-operation. Every competitive effort in our country also implies an immense co-operative effort. To beat the opposing team calls for the utmost collaboration in your own team. Those who think of business sagas purely in terms of struggle are outsiders, or they would know that success is the product also of many men working together in a spirit of trust and comradeship. The mechanical and inventive skills of some are co-ordinated with the financial talents and the organizational genius of others. Managers, foremen, technicians, workers, salesmen, advertising men, lawyers, and a long list of others contribute to the growth of a business, share in its triumphs and its failures.

Above all, no business exists in the abstract. It flourishes or withers in a particular social, political, and economic climate. Consciously or not, the businessman and those associated with him contribute to their community and their country, for good or ill. In detail the American system is intensely competitive; but in its entirety it is inter-dependent. Its growth has been and must remain organic. No part of it—whether the workers, the farmers, management, or some particular region—can long be permitted to decline or to suffer without dragging down the rest. They must flourish together. That's the over-all design of our dynamic America, and the heart of the American credo.

3

I plead guilty of being a Kiwanian, sharing all the sins of extravert good-fellowship, self-improvement, and community spirit which the so-called intellectuals love to lampoon. I have no hesi-

tancy in admitting affection for my fellow men. What is more, I see no contradiction between that and my personal ambitions; no hypocrisy, that is to say, in concern for the general good coupled with an interest in private advancement.

On the contrary, I think it has been part and parcel of the American genius to integrate community and private progress. Towns, regions, industries—and the individual men and women taking part in the process—have “boomed” together. The opening up of new land, new fields of endeavor, new sources of wealth has enriched thousands, even millions, of individual Americans. But always it has done so by enriching the country, lifting general standards of living and culture, fertilizing the life of our nation as a whole.

It is quintessentially American that Chambers of Commerce, Rotary Clubs, Kiwanis, Lions, and local Boards of Trade should take inordinate pride in every index of community progress. Superficially it might seem paradoxical in people who regard themselves, and rightly, as rugged individuals and put so much emphasis on private enterprise. But at its heart the paradox is easily resolved. It simply attests a belief shaped by our history—the belief that the individual American prospers through the prosperity rather than through the impoverishment of his fellow men.

Many Europeans, I can testify, fail utterly to understand this about America. Many American proponents of ideologies that have their roots in European experience have forgotten this about America. But the Kiwanian, the “booster,” the irrepressible optimist—all native American products—understand it. It is so completely a part of us, indeed, that we sense it without recourse to analysis.

Most Europeans think of the rise of one man as implying, always and inevitably, the fall of another, or many others. But when Americans think of forging ahead they assume that their whole community, even their whole country, is moving forward. Though they seek the largest possible share of the increment for

themselves, they take it for granted that there will be an increment in which everyone else will share in some measure.

Europeans, to put the matter in its simplest form, think of the total wealth of their community as more or less fixed, if not dwindling, so that gains for one group necessarily mean losses for the rest. Americans, however, think of the total wealth as an ever-expanding, snowballing element, so that the enrichment of one implies some measure of enrichment of all.

I am not at this point arguing that the American assumption is always correct. I am merely noting the characteristic optimism of our people, so remote from the defeatism that has gripped other peoples, so alien to the static quality, the fatalism, which has long been the hallmark of society in the Old World.

I plead guilty, also, to being a businessman—worse, a capitalist—despite the opprobrium some people have sought to attach to these words. But I hasten to qualify this grim confession.

Because we live in a capitalist society, all Americans are capitalists, precisely as all Germans and all Russians are collectivists in that they live in a collectivist society. The fact that Hans Schmidt or Ivan Petrov may not relish the system or concur in it does not exempt him; neither does the fact that he may consider himself ill-used and short-changed by that system.

The humblest worker in one of my electrical plants, the clerk in the bank in whose direction I take part, the salesman in my brick and lime business, is a capitalist no less than I am. The same applies to the highest-paid executive in these business organizations, the superintendent, the foreman. All of us have our economic being in a capitalist system. All of us are dependent for our incomes, our economic survival, upon the smooth functioning of private enterprise. Should the flow of capital—the life's blood of our economy—cease, the heart of the businesses will stop cold and dead.

I have shocked some of my labor-union friends by apprising them that they, too, are capitalists. They live on salaries paid out of dues drawn out of capitalist wages. More than that, the

unions themselves are purely capitalist institutions, their functions and forms a direct outgrowth of our particular type of economic procedure, thriving or flagging in response to capitalist trends. Everywhere the extinction of the private-enterprise system has meant the extinction—in fact if not in name—of labor organization as we know it.

But all Americans are capitalists in a deeper sense. In their psychology. In their innermost hearts and minds and nerves. They do not accept the status into which birth and fate have cast them, as they would have done under a feudal system or in an authoritarian setup. They may reconcile themselves to it; they may lack the moral energy to advance themselves. Yet the possibility of advancement is never totally erased—if not for themselves, then for their offspring.

With relatively few exceptions, Americans have been born into a tradition of social flexibility, a tradition of economic self-improvement. We may be sure that even if all paths to individual economic and social enhancement should be barred forever—a tragedy that must and can be headed off—the psychology of capitalism will remain with us for generations. It is in the American blood stream.

I believe—I may say *we* believe—that the individual man and woman is the pivotal element in a desirable society. The individual's safety, freedom, happiness come first and last. The state in any of its forms, for us, has no standing or authority *per se*, as an end in itself, but only as the tool and servant of the individual. A rich and powerful state would be meaningless to Americans if it rested on weak and poor individuals.

We believe, with Jefferson and Franklin and Wilson, that the less government, the better. We stick to that prejudice—and in a way value it the more—even in a period like this, when the complexity of society makes more government inevitable. Lack of trust in concentrated official power and a preference for its dispersal through forty-eight states and ten thousand cities are at the very core of our nature. We cater to that distrust even

when we are aware that concentration and regimentation might be more "efficient."

We Americans are optimists. Every really observant foreigner who ever wrote about these United States, from De Tocqueville to Aldous Huxley, has been witness to this phase of our credo. No proofs or statistics or propaganda showing that we are effete, played out, "mature," and exhausted can touch us, because American optimism does not rest on cold logic. It is one of our spiritual dimensions, and therefore stronger than any statistics. Perhaps it is the self-assurance of our youth. Perhaps it is the moral of our national story of cumulative expansion and rising levels of life. Perhaps it is the result of constantly new racial and cultural additions to our population from other countries. Whatever the reason, the fact itself is indisputable. Defeatism does not suit our national character. We yield to it only rarely and briefly, then pull out of it a little shamefacedly, as if we had done something ridiculously out of character.

We Americans are at once practical and idealistic. The idealism, I suppose, is one more phase of the perennial optimism. We are able to wish for a better world and happier human beings because we seriously believe in something called "progress." Having seen with our own eyes, much of it in our own life span, so many miracles of accomplishment, we are inclined to accept the process as almost a law of nature. Let the Spenglers and other prophets of doom say what they will, they will find few disciples in our midst. That, of course, does not necessarily mean that their prophecies may not come true. It only means that Americans, by and large, are so constructed and conditioned that they cannot swallow over-all pessimism.

As to our practicality, it scarcely needs proving. The pageant of our dreams is embodied all around us in great cities, extraordinary industrial areas, lush farm lands; in masonry and electricity, in schools and hospitals, in unexampled literacy and unsurpassed everyday comforts of living. The point, however, is not merely in the physical fact that we have those things. It

is in the spiritual fact that we believe in these things, for ourselves and the world at large. It is part and parcel of the American credo.

And it is in the light of that credo that this book is written. It makes no pretense to brilliance or originality. I am not interested in opening up new roads of thought and action. I am most anxious to direct attention to old, tried roads from which we ought not to wander either in a spirit of despair or in a hankering for Utopia—which is really another phase of despair.



Areas of Agreement

Both in my private capacity as an employer and in my more recent capacity as a representative of organized business, I have had a better-than-average opportunity to observe what radicals call the "class struggle." Again and again I have sat in on conferences between labor and management that ended in declarations of war—or in friendly adjustment.

I have watched industrial differences become rapidly inflated until they exploded in struggles, bringing in their train suffering for the workers, losses for the employers, bitterness for everybody. I have seen others settled amicably. And the significant fact is this: that the differences which led to industrial warfare were often no greater than those that ended in peace; sometimes, in fact, they were less serious or even trivial. The outcome, in other words, did not depend primarily on the magnitude of the problems involved. More frequently it depended on the men who did the negotiating and the spirit they brought into the conference room.

If my theory is correct—and I know that a great many sensible and influential labor leaders hold it too—then the common ground between labor and management is invariably larger and more solid than the margins of disagreement. Both groups, in the nature of the case, want the productive machinery to keep going, since they can only lose from an interruption. Both groups want the assurance of stability for the future, since neither has anything to gain from working under the constant shadow of stoppages, strikes, lockouts. Each group, believe it or not, wants

the good opinion, the respect, of the other. No one enjoys the idea of being despised and hated by his fellow men, particularly when he works closely with them in an integrated process.

What is true of the labor-management relation is also true of the relation between other elements in the American scheme of life—between business and government, between labor and agriculture, between business and agriculture, between agriculture and government. When we think of these relationships, notorious conflicts and misunderstandings come to mind first. Why? Only because these have been most talked about, most emphasized, most publicized.

On closer scrutiny it appears that while the factors of conflict are real enough, they are always smaller in extent than the factors of mutual interest. Whether clashes between any of the groups making up the sum total of American life are deepened and inflamed, or whether they are placated and resolved, is as often a question of psychology as of economics.

Given two prerequisites, social peace is usually possible. Those prerequisites are:

1. A meeting of the contending parties. In hundreds of instances that confrontation is avoided or postponed for reasons of pride, accumulated ill will, or absence of machinery of contact.
2. Discussion or negotiation that begins with acknowledgment and definition of the *areas of agreement*. There are always such overlapping areas, and they are always wider, more fundamental, more impressive than the areas of *disagreement*. Once the common ground is mutually recognized, the negotiations have a chance of developing into a common search for solutions of existing problems.

That was the theory I had held for a good many years before I was called to assume the presidency of the United States Chamber of Commerce. Since then I have had many chances to test the idea in action, and my experience has only reinforced the conviction I had brought to the job.

Two principles, it seems to me, are inherent in the American

way of life. Though they may seem to be contradictory on the surface, they are actually complementary at the core. The first is competition, the second is co-operation. Both meet and merge in self-interest: the self-interest of the individual and the broader self-interest of the common good of the community.

In any domain of human endeavor we reach the highest point of accomplishment—physical, mental and spiritual—when the competitive and the co-operative instincts both become integrated. To illustrate what I have in mind in the simplest way, consider a football team.

The individual plays for himself, first to get on the team and then to obtain the greatest amount of personal glory. He is thus acting on the principle of competition. But he also plays as a member of the team, since he obviously can make little personal progress except as the team makes progress. Thereby he is behaving in harmony with the co-operative principle. The incentives of individual reward and collective achievement consequently are beautifully balanced. Where one of the principles predominates to the extent of impairing the other, the whole enterprise is endangered—a bad team or a bad nation may result.

Areas of agreement, where the techniques of co-operation and mutual help hold sway, are not only possible but essential within the framework of a truly competitive system. There is a natural sphere of government regulation, which need not conflict with robust private enterprise. And in the relations between any two elements in the community healthy co-operation inside the pattern of competition is attainable and highly desirable.

2

In the time of trouble a normally well-balanced, good-natured family is in danger of dissension and hard feelings. Nerves are then frayed, tempers inflammable; an unguarded word enough to ignite a quarrel. It was thus with the family of one hundred

and thirty million Americans in the trying years of depression.

The aggregate of name-calling, distrust, and illogical anger between groups and individuals was without doubt larger than in any equivalent period in American history. N.R.A. squabbles. W.P.A. scandals. Political purges. Economic Royalists. Court packing. Sit-down strikes. That Man. One could string out the words and the episodes that highlighted a family quarrel which seemed again and again to be spiraling toward the depths of disaster.

Perhaps the most acrid quarrel of all was between government and business. I use the past tense optimistically; but the embers of that quarrel are far from dead, and a little reckless blowing by either side can quickly stir them into flame again. The attitude of the Administration is too well known to need rehearsal here. I shall examine it a little more closely in another chapter. But the behavior of business itself has not received the critical attention it deserves.

Businessmen found themselves in these feverish years derided as Babbitts and cursed as economic parasites. Under the whip-lash of the executive branch, Congress enacted restrictive measures in an endless series. Bureaucratic rule makers had a field day of it, and soon business found itself fenced in by restrictions, baited in all seasons, and all but outlawed. This over and above its staggering load of financial losses, uncertainties, and the self-deprecation that comes with trouble and failure.

In general, the businessman's response was characteristic of a breed of individualists and fighters conditioned by generations of competition. He yelled bloody murder every time the government assumed obligations—the obligations, in some cases, which business itself had been unable to shoulder—and the power that went with them. He might as well have fanned the air with his hat or butted his head against a stone wall.

The pity of it is that though they were often right in their strictures, businessmen usually left their motives wide open to suspicion. Their distaste for government interference in every-

day life and their distrust of elephantine bureaucracy were justified by the whole American experience. But somehow businessmen didn't make their point clear to themselves or to others. Instead, they left themselves exposed to the ludicrous charge that they were against feeding the hungry, against relieving unemployment, in favor only of keeping up profits and keeping down taxes.

Perhaps the greatest irony of all was that business, which had contributed more "freedom from want" than any other element in America, was jockeyed into the unreasonable position of seeming to oppose that very freedom! I realize that this is a serious indictment. But I am eager to be emphatic in this matter. Business cannot save itself from a species of persecution and ultimate obliteration unless it meets the forces of social change halfway. And if business is obliterated, American liberty as we have known it is obliterated. In making an adjustment to reality, business will also save the American way of life.

The main count against business is that it was essentially negative in its public attitudes and pronouncements. It ignored changed conditions. It criticized without offering constructive suggestions. Its influence with the public and with law-making bodies, therefore, declined to a new low. It reached a point where Washington observers could wisecrack, with some show of justice, that if you could get business to come out against some piece of legislation, Congress was sure to pass it.

Professional spokesmen for business put on lush campaigns "to educate the public." But the public wouldn't listen. Huge sums spent to popularize clichés about the American way of life bounced off the public awareness without leaving a mark, because the campaigns were so glaringly negative and often so flagrantly self-interested. The failure of one public-relations drive, however, did not stop others from getting under way. Adroit promoters exploiting the panic in business psychology did not have much trouble reaping a golden harvest.

The whole thing fizzled. The publicity was prepared by expert

copy writers, but it failed. It was fuming against symptoms and ignoring causes, and consequently was ineffective. It glorified the free enterprise system, but lacked the good sense to admit weaknesses and tragedies that called for action.

More anti-business legislation was written into the statute books in this period than in all the preceding years of American history. Not only was business in the doghouse, but it was barking with all its might. As always in such situations, the trouble thrives on its own excitements. Businessmen avoided the New Deal officials—except when summoned for inquisitorial investigations and royalist baitings. Officials avoided businessmen.

During the first ten years of Mr. Roosevelt's occupancy of the White House it saw exceedingly few callers who could speak up for management and finance. Those who did call were too prone to speak softly and pull their punches—perhaps they had been convinced by the anti-business orations that they were really criminals at heart. Many of the President's closest associates rarely overlooked an opportunity to throw the harpoons into private enterprise as a system and its individual exponents. The bad feeling was mutual, amounting to a feud.

One of my main hopes, when elected to head the Chamber of Commerce in May 1942, was to end that feud, to heal that breach. With the nation at war, the danger of a continued struggle between business and government was that much more apparent. The Chamber is the most representative business organization in the country, made up of 1,800 local chambers and trade associations, with an underlying membership of nearly a million businessmen, the vast majority in the small and medium-sized business categories. Its *rapprochement* with the Administration seemed to me a primary objective in the public interest. Business had every right to its criticisms of the government, and it had the duty of defending its views. But those things, it seemed to me, are not inconsistent with co-operation in the huge area of public well-being where business and government could work together.

The White House is only a stone's throw from the Chamber headquarters, but a decade of recriminations had widened that distance into what seemed to many on both sides an unbridgeable chasm. It took many calls to open the President's door, but after I had been in Washington about a month this feat was accomplished.

Mr. Roosevelt waved me into a chair by his side and talked at me for a good quarter of an hour. With his fine eloquence and his enjoyment of a good scrap, he enlarged on the iniquities of business in general and the Chamber in particular. Finally I interrupted.

"Look here, Mr. President. I have something to say too."

"Oh, did you have something to say?" Mr. Roosevelt smiled. "All right, go ahead."

I did. When I got through the President invited me back for luncheon. I have seen him on a number of occasions since. I have, to the best of my ability, adhered to the note of frankness which marked our first meeting; which means that we have not by any means agreed on all things. And I am not the only one. In the last few years the President has seen more of the business community, and, it is to be hoped, has listened more open-mindedly to what it has to say.

Franklin Roosevelt, it seems to me, is especially sensitive to the currents of public opinion. Like all highly capable political leaders, he has some of the attributes of a "medium," in that he feels and reacts to popular trends of emotion. His mellowed attitude toward business is a reflection of the fact that business is retrieving a large measure of the public confidence that it had enjoyed before the depression.

3

In heated discussions with business leaders about the teeming social-economic problems of our day I insisted that we, acting alone, could not conceivably solve anything. Solutions could

be found only through the friendly and earnest collaboration of management, labor, agriculture, and government. This was not a new idea and I claim no patent rights on it. But after ten years of mutual vituperation among these elements the idea *sounded* novel, even a bit quixotic.

I had no notion of the etiquette in these matters and cared less. Soon after my induction I took the initiative and called on Philip Murray, president of the C.I.O. A few days later I paid my respects to William Green, president of the A.F. of L. I had never met either of them before, and relations between their two organizations and the Chamber had been rather short of fraternal. Yet the visits were not strained. Somewhat to the surprise of all three of us, a feeling of genuine cordiality developed from the outset.

I propounded my theory of co-operation—my conviction that we could meet as friends and even allies on areas of agreement. Both Murray and Green conceded that the preservation of the American system of free management and free labor was our common task, and that most differences could be ironed out around the council table.

Out of these meetings grew a larger get-together: that of the four leading labor-management groups—the Chamber of Commerce, the National Association of Manufacturers, the Congress of Industrial Organizations, and the American Federation of Labor. All of us had undertaken in advance to explore areas of agreement and to postpone argument over the smaller areas of conflict to a later time.

I proposed that we call a halt to public name-calling, hair-pulling, and nose-thumbing as the first practical step in collaboration. Green, Murray, and William P. Witherow of the N.A.M. enthusiastically accepted this elementary but beneficent first step. Especially in relation to the war effort, but with a hopeful view of its continuance into the postwar years, we agreed to a new friendliness which we undertook, each in his fashion, to pass down to the rank and file of our organizations.

That was in July 1942. The world outlook was then all too grim. The Russians were being driven back in the Caucasus, and it looked as though the Germans would soon have their paws on the great Caucasian oil fields. We were faring badly in the Pacific. It was probably the lowest point in our fortunes of war. I therefore suggested that we make a public demonstration of solidarity and a dramatic management-labor pledge of co-operation in producing the instruments of war.

In pursuance of this suggestion the heads of the four organizations, each accompanied by another organization official, spent a half-hour with the President. The conference in the White House was free, frank, and friendly. Mr. Roosevelt greeted us with the remark that this was a historic occasion and that he was delighted to see the lions and the lambs lying down together. "I'm not quite sure which are the lambs and which are the lions," he added facetiously. "At any rate, I feel like Daniel in the lions' den." He assured us with evident sincerity that he would be glad to see us at any time and to listen to any recommendations that we cared to make. The President was visibly impressed by this token of labor-capital unity at a moment of national crisis. And I believe the country at large, reading of it in the press, recognized the symbol of America's oneness.

These meetings, I need hardly add, did not mean that the millennium had been achieved. It did mean that the ice had been broken, that some virulent suspicions and prejudices had been stilled. Thenceforth it became a common practice for labor and management to serve jointly on government commissions.

"First let's talk about the things we see eye to eye," I have told labor spokesmen on many occasions. "We can take up other things later."

And we have never been embarrassed by failure to find important matters on which we were in perfect accord. For example, both labor and business saw useful possibilities for the

labor-management committees for which Donald M. Nelson, chairman of the War Production Board, asked. Labor feared that these committees might become a device for a "speed up," and management feared that labor might seize the chance to trespass upon the domain of ownership. It took some explaining to smooth out misgivings on both sides.

More than twenty-five hundred of these committees are now in operation. It has become clear that they do not put management into labor, or labor into management. It is agreed all around that many of the committees have done an effective job in stimulating production. I believe this technique of co-operation can and should be carried over into peacetime production.

Another contact point between labor and management, I soon discovered, is our common objection to tax laws that undermine business and thus also menace jobs. The labor men recognize, I think, as clearly as businessmen do that ample corporate reserves for postwar reconversion are of the essence, and that incentive taxation is needed to encourage risk capital into new job-making enterprises.

I am convinced, moreover, that the moderate, co-operative attitude is gaining ground in management and labor alike. I meet with consistent encouragement when I tell labor representatives that we must school ourselves to solve our problems around the council table without resort to government. "If we run to government, government will soon run us," I have argued.

Every man of sense and good will in the camp of labor and capital alike is profoundly conscious of the danger that confronts our country after the war. I refer to the threat of industrial warfare of an unprecedented nature. The common emotions that drew us together in war will naturally subside. The difficulties of the far-reaching adjustment will cause economic dislocations no matter how carefully we plan to prevent them. The challenge of our good sense—the need to stand firm on those areas of agreement—will be as great as the challenge of war.

Unless management and labor can devise the instruments for pacific settlement of disputes, unless we project the spirit of co-operation into the postwar period, the public will insist—and rightly so—on settlement by legislative compulsion. Whether labor-management relations can be kept on a voluntary basis or put at the mercy of government thus depends on ourselves.

Upon ourselves depends, no less, the relationship with that enormous segment of American economy and American population embraced by agriculture. Co-operation between businessmen and farmers has been, on the whole, more widespread than co-operation between business and labor. There have been periods when business organizations, among them the Chamber of Commerce, were looked upon by farmers as “tools of Wall Street.” But when feelings subsided, both groups have tended to a great awareness of their common practical interests. The farmer, in the final analysis, is a businessman—a private enterpriser—and at the core his attitudes coincide with those of management.

In addressing farm audiences in many parts of the country, as a representative of the largest business organization, I have not been primarily concerned with better relations between agriculture and business. What I sought to preach was an economic trinity—agriculture, management, and labor. Serious clashes between any two of these elements, I declared, was certain to upset the national equilibrium to the detriment of all of them.

Public attention is usually focused on the conflicts between capital and labor. Partly this is due to the dramatic expression of those conflicts, through violent strikes and lockouts. Partly it is the result of anti-capitalist propaganda, which has sought to pit workers against owners and overlook the third member of the economic trinity. In any case, it is a fact that the tensions between agriculture and labor are often quite as serious, and call for application of the self-same principle of “areas of agreement.”

The interdependence of the three groups—this is the first and most vital lesson that must be learned. No one group can be prosperous for any length of time unless the others share the prosperity. One group cannot permanently enjoy advantages and privileges at the expense of either or both of the others. Our economic life is not broken into separate, independent compartments. Its component parts overlap and intertwine, so that decay and corruption in one spread inevitably to the rest. Any group which through coercion or wile succeeds in cornering undue privileges in the long run pays for it tenfold in the general economic maladjustments that follow.

To put the matter in its most elementary form, the farmer cannot sell his products at decent prices unless the industrial worker is employed at decent wages. Unless the farmer receives a decent reward for his labors, he cannot absorb the products of industry. Unless management can derive a reasonable profit, there are no jobs at decent wages, or at any wages. No one group can long continue to help itself to a disproportionate share of the national kitty without bringing disbalance and economic crisis.

This is the doctrine I have carried to agriculture. I have not wished to deny divergent interests in Pollyanna fashion, but to emphasize that the areas of coinciding interests are larger and offer a common platform. My efforts and the efforts of scores of others with a similar approach have brought both satisfactions and disappointments. Labor, agriculture, and management have worked well together on the national policy committee of the War Manpower Commission and on many of its regional and area subdivisions. At the national level, the three groups joined together in opposing compulsory legislation freezing workers to their jobs; they all favored the largest degree of decentralization and voluntary local action in solving man-power problems.


The war has proved to us a fact which has been true all along, but concealed from sight—that the areas of agreement transcend

by far the areas of conflict. Better than ever before we sense our common stake in our traditional political and economic institutions. Teamwork between management and labor has paid enormous dividends in an avalanche of the instruments of victory. Analogous teamwork has extended to other factors in the over-all economic process.

The life of a great industrialized nation forms an intricate mosaic. No matter how clear and balanced any phase of it may seem, it is irrelevant unless it fits into the larger forces and interests and obligations. The great mistake that many organizations—in agriculture, labor, and business alike—have made in the past has been to plan only for themselves. Such planning is foredoomed to futility, even if it is good in itself and high-minded in purpose. A program of principles and of action which may seem perfect from the vantage point of a business organization, a national labor group, a farm organization, or government is useless unless it can stand the test of scrutiny from all other points of view.

This philosophy of interlocking interests has been so often made the object of after-dinner oratory and inflated generalization that it has lost its appeal. But it happens to be true even when it is trite. Triteness is a quality that it shares with the copybook maxims and the Golden Rule.

I present this philosophy not as a generalization but as a concrete program of behavior; not as a vague sentimentality but as a practical procedure. It works—because it rests on the unsentimental fact that there *are* areas of agreement on which the most diverse groups in our national community can meet as friends in search of solutions and not as enemies in search of lethal weapons.



CHAPTER III

Neither Right nor Left

In practical, day-to-day affairs all of us are accustomed to deal with relative values. We know that things are not merely—and certainly not always—black or white, wonderful or horrendous. They are likely to be some in-between shade, or somewhere in the middle register in the scale from wonderful to awful.

When it comes to political or economic discussion, most of us are inclined to insist on *absolutes*. Whatever it is that we favor or defend, we present it in its simon-pure, unalloyed form. We talk of socialism as if it had no capitalist features, and of capitalism as if it were completely devoid of government features. The socialist and the *laissez-faire* enthusiast alike are annoyed if not shocked when informed that the frontiers between their two economic territories are badly blurred; that it is not always easy to say with assurance, "here capitalism ends, here socialism begins."

The tendency to think in fixed absolutes, rigid and intolerant of exceptions, confounds much of current political thinking. It inflates problems and conceals elements of agreement on which friendly co-operation can rest. The diehard private enterpriser, for instance, refuses to acknowledge that the state has vital, and now growing, functions within the capitalist way of life. The doctrinaire socialist, similarly, insists that private initiative will be utterly absent and even outlawed in his collective world-to-be.

The thing that is most harmful in the present period is the constant and sometimes violent shifting of the boundary between government and private enterprise. It is that which thwarts long-range planning by private enterprise—another name for investment—by erasing any certainty about earning power. The boundary must be delineated in the interests of stability, but to imagine that government can be entirely eliminated is patently unrealistic.

Only on paper and in the imagination of man do we ever find systems of living in their pristine purity, in perfect accord with the theoretical definitions assigned to them. In practice the ingredients of many systems seem to be hopelessly scrambled in any given society. In the real world of fallible, ambitious human beings—moved by ideals, greeds, prejudices, appetites, traditions in endless variety—life unfolds by a series of compromises, adjustments, and improvisations. The labels that history and political science put on any period and system refer to the *predominant* tendencies involved, but they do not exclude other and often opposite tendencies.

If people realized this more sharply, there would be less futile disagreement stemming from labels and tags.

We speak of feudalism as though it were a firm and fixed system, without non-feudal facets. In truth it was a constantly changing arrangement, never the same in two places or at two points in time. Historians find it hard to delineate the precise line that separates the feudal from the modern capitalist age. Each of them more or less arbitrarily picks on some event or date to symbolize the transition.

In the midst of feudal civilization there were men and activities that did not fit into the pattern of the ideal feudal hierarchy. There were enterprisers of the capitalist type and government monopolies of the socialist type, though the feudal order was dominant.

The fascist and national socialist societies, as attempted in Italy and Germany respectively, were largely collectivist. Yet

they contained vast areas in which the practices and mechanisms of private enterprise and the profit motives of capitalism were given full play. Socialist elements were inextricably mixed with private property elements, in proportions that changed from year to year.

Even in Russia, where the collectivist theory has had its most intensive trial, a compromise with capitalist economy was promulgated at an early stage by Lenin in what he called the New Economic Policy. The collectivist state retained a monopoly of political power as well as control of all heavy industry, communications, public utilities and the like. But private enterprise was allowed in small industries, handicraft, and in the distribution end of national economy. Capitalist economy, while sharply abridged, did have an area of operation.

When Stalin rose to supreme power, he ended this interlude; also, he collectivized agriculture. Yet the system of wages, money transactions, banking, interest on state loans, and other such economic techniques remained, and these were clearly capitalist in their nature. Soon, however, Stalin was obliged to go a lot further. To speed up industrial production, the Soviet Government had to re-introduce the piecework system and a whole array of rewards in cash or goods or higher living standards for better work. A speed-up system with bigger incomes for more productive labor as its main feature was introduced. These are procedures wholly out of line with theoretical communism.

While Russian farming was forcibly socialized, the attempt to make it 100 per cent state-owned and state-controlled failed. In addition to his work on the kolkhoz or collectivized farm as a state employee, the farmer was given the right to cultivate a strip of land near his house on a private property basis. As might have been expected, he put more care and toil into that private strip than into his kolkhoz.

In other words, even the most far-reaching state-monopoly version of economy contains big chunks of capitalism.

And by the same token capitalism has never more than approximated Adam Smith's ideal of classic *laissez-faire* society. Local and central governments have always controlled some public services and have always injected themselves in private undertakings as arbiter of public interest. The postal system, water supplies, education, some measure of hospitalization, and a lot of other vital activities were in most places under state control and operation.

At times when the *laissez-faire* principle was most in the ascendant, as in the United States between the Civil War and World War I, capitalists did not hesitate to exact special privilege from the government, thereby involving the state in economic affairs. Indeed, the attempts of business to control government—which is only the reverse side of the medal of government control in business—frequently assumed scandalous proportions.

The lowdown fact is that many loud defenders of unrestricted competition have run to the government for excessive and unjustified tariffs against outside competition and for any number of internal regulations to restrict competition. Various economic groups have sought and used political power for the purpose of hedging hazards and reducing risk in their various private undertakings. In denouncing government intrusion in economic life, some business spokesmen are thus not always consistent.

At the same time, it needs to be emphasized, some private enterprisers through the decades have not scrupled to defy their own *laissez-faire* principles by merging business undertakings with an eye to reducing opposition; by price-fixing efforts on local, national, and even international scales; by various monopolistic practices that would shock the pure-and-simple Adam Smith capitalist as deeply as any socialistic innovation. The public, with the smaller businessmen taking the lead, has been obliged to defend itself and the competitive principle through legislation such as the Sherman Anti-Trust Law and the Clayton Act.

It thus appears that capitalism, too, has always contained big chunks of statist and non-capitalist economy.

There never has been and never will be a simon-pure capitalist society, any more than a purely feudal or purely collectivist society. Human existence cannot be so neatly confined to categories. It is a living, growing, dynamic process, wherein the most various forces operate one on the other. Evolution is a law of nature from which economy is not exempt.

The American economic setup has been predominantly private capitalist. It must remain predominantly private capitalist. But that does not arbitrarily exclude the utilization of state power and state economy for specific purposes.

The epoch of dog-eat-dog economy is ended. The era of magnificent economic freebooters is well in the past. Life has become exceedingly complex. Modern machinery and the very abundance we have created require new types of self-discipline and disciplines imposed through official and legislative action. We must preserve and even deepen the virtues of the profit system, but we must round it out with new kinds of co-operation between many groups and conflicting interests. The alternative is chaos, or worse—total organization by a tyrannical state.

2

Certain doctrinaire radicals regard all economic life in terms of what Karl Marx called "class struggle." In other words, they look upon relations between capital and labor as a permanent conflict in which we can hope, at best, for an occasional armistice. This theory is also accepted, in effect if not in words, by extremists in the private capitalist camp who would deny the inherent rights of labor. Both extremes are guilty of absolutist thinking. In practice, agreement and co-operation between labor and capital in the interests of common goals have been more vital and more real than the class struggle.

The same fallacy of absolutist thinking muddies the waters of

relations between business and government. Advocates of state domination of all economy of the sort who came to the fore in the New Deal period regard government as in permanent conflict with private enterprise. That assumes another variety of class war in which one or the other must go down in defeat. And again diehard partisans of the *laissez-faire* ideal in effect agree with them, since they, too, look upon business and government as engaged in a struggle to the death. One group wants private enterprise to come out triumphant in this tussle, the other wants the government to emerge as the total master. But the thinking underlying both attitudes is the same.

I believe that we must free ourselves from this black-and-white thinking. To conserve the constructive and useful values in capitalism we must not seek to freeze it. We must not hem it in by too many taboos and restrictions. Within the main pattern of individual freedom it must remain resilient, adaptable, and thus thoroughly alive. The threat against capitalism does not come from just one direction. It also comes from the opposite corner. Let us look at this double menace.

First, there are those ultra-conservatives who are alarmed by change, any sort of change, and hence would turn back the clock of history. They would block the inexorable forward march of labor unionism, and would restrict government to the more primitive role it played in a more primitive day and age. Whatever the views or the motives of such people, the plain fact is that they automatically place themselves in the camp of unreasoning reaction—which is quite a different thing from intelligent conservatism. I think that the impact of war, fortunately, is jolting some of these people out of their absolutist attitudes; they are becoming fewer in number and many of their leaders are being mellowed and tempered by experience.

Second, at the other end of the ideological scale are the clamorous collectivists. Psychologically these are one breed, whether they call themselves fascists, communists, socialists, or super-

planners. We can leave out of account the mere demagogues and power-hungry schemers and consider only the honest collectivists. In recent years they have been especially articulate, so that their books and speeches, both here and in England, are available for study.

Most of them may not agree among themselves. Each contributes a piece or two to the over-all picture of a planned and virtually automatic world. From cradle to grave, from womb to tomb, life would be charted in advance. What every man shall plant or manufacture, how much he shall use, systems of economic priorities and rationing, administered by state and national and finally international boards and agencies would be elaborated—and presumably enforced by police action. Where the collectivist schemes provide a role for private enterprise, as many of them do, the risk element is taken out, a fair return is guaranteed on investment, and markets are assured in advance.

Most of these collectivists are well-meaning and idealistic. They are so conscious of the unsavory by-products of the capitalist way of life that they are blind to its accomplishments and blinder still to its unexploited potentialities. In their annoyance they would throw out the baby with the bath water. Even the sorry record of physical degradation, moral bankruptcy, terror, and war in the countries which have tried collectivism and state dictatorship does not frighten these theorists. They find excuses and fool themselves into believing that the American version of the totalitarian life will be different, more palatable.

I am convinced that I speak for the great majority of Americans in insisting that there is a middle ground of reality somewhere between these extreme threats to our traditional life. Call us progressives, or liberal progressives, or conservative liberals—such tags have lost their old meanings in the present crisis of growth and change. Whatever the tag, we deny that America faces a choice between a congealed old order and some experimental new order. On the contrary, we feel that those who

narrow down the choice between such repugnant extremes are dangerously confusing the issue.

We believe in the middle way: the way of realistic adjustment between old-style *laissez-faire* capitalism and current economy. We reject rule-of-thumb absolutist thinking from any political direction. Robert Moses, the well-known New York park commissioner, recently wrote that "the American is too shrewd and humorous to be a fanatic." I think he is eminently right. It is another way of attesting our common sense.

We prosper best under the freedom of give-and-take. Americans will accept collective action through their government but only to achieve purposes which cannot be achieved by private capital. They ascribe no wonder-working talents to government. They will sacrifice no portion of their treasured individual freedoms to compensate for collective chores. They will use *all* the institutions at their disposal to get results, and that does not exclude government. The successors of the New Deal in office will not dump all the worth-while advances made in recent years. They will not because they cannot. New facts and new attitudes have come into existence. But they can and must revise the innovations where these block the flow of investment capital and otherwise tend to stall the capitalist mechanisms.

In the course of a discussion an English leader said to me, "England is such a comfortable place in which to live. In England everyone knows his place and stays in it." I told him that in America, thank God, nobody knows his place. Americans never think of themselves as "set for life." They are forever "going places," breaking molds, and venturing along new paths. As a nation we are endlessly experimenting, endlessly striving, endlessly "gadgeteering." We have a talent for adjustment—but not the adjustment that is stagnation. We have a talent for utilizing the tools at hand—labor unions, farm organizations, business associations, governmental leverages, and everything else.

Brought up on the Jeffersonian idea that the government is

best which governs least, Americans will have no truck with the statist dictum that the government is best which governs most. But as practical men they recognize change and are ready to utilize government beyond the limits visualized in Jefferson's more primitive society.

In the same way they will have no truck with those who see the possibilities of economic life only as a contest between labor control and management control, as a perpetual seesaw of strikes, lockouts, struggles for dominance. They believe in arbitration and accommodation, and are convinced that empiric reason and cold logic must displace brute force in industrial relations. Their common sense and native shrewdness reject theories of automatic happiness and planned security, just as they would reject theories of perpetual motion.

The very character of our population makes the way of moderation, of compromise, and accommodation almost a necessity. We are a people of the most diverse racial origins, pretty nearly a federation of nations within ourselves, and a people of many different religious faiths. Our cultural roots are in many soils of many continents. Such variety, including every conceivable extreme, can be balanced only through an average. Americans represent a tough human alloy—too unyielding to be shaped by reformers according to preconceived designs. They must follow their own destiny, which is neither Right nor Left.

The chief virtue of our form of constitutional government—government by laws, not by men or by arbitrary edicts—is that it provides wide scope for almost any variety of economic life. It is not committed to untrammelled *laissez faire*, although some of the founders of our government may have thought so. Neither is it committed to total state supervision, let alone control, of economic processes. Our government provides the ideal structure for a middle-of-the-road type of economic life.

Our task is not to drive government out of business or business out of government. Such absolutist separation is possible only on paper. Our task is to adjust old values to new conditions;

to cure economy and government alike of abuses. We shall indeed be unwise if we fail to survey the common ground on which old and new can meet and blend. That common ground is what I have called the middle way.

The American is an empiricist. I cannot believe that he will willingly kick over the economic system that has made us the wealthiest and strongest nation on earth for a lot of gaudy promises. We shall retain our fundamental system. We shall make no compromises at the expense of our basic freedoms and basic incentives. But within those limits we shall give full scope to our national genius for practical adjustment.

Such, at least, is my hope and my faith.



CHAPTER IV

A Civilization of Abundance

Because we live in it and with it, the character of American life does not impress us as much as it impresses outsiders. We take for granted in the most offhand manner standards of living, our levels of health and longevity, the extent of our sanitation and facilities for amusement, and a thousand other indications of authentic, measurable progress. Only when we travel abroad, or when we see our abundance and leisure through the eyes of an amazed foreigner or an especially observant American, do we become aware of the miracle.

Yet it is a simple, demonstrable fact that the United States of America is the wealthiest, healthiest, freest, best-educated country in all human history. I am uncomfortably conscious that this sounds like jingoistic boasting. But it happens that only superlatives can compass the reality; the bare facts are superlative. Whether measured by the yardsticks of goods produced, distribution of those goods to the mass of population, leisure for the average man, diet, hygiene, education, or political freedoms, American capitalism—for all its faults and imperfections—is clearly more successful than any system known to man.

Symbolic facts and figures that indicate the wealth of America are familiar to the point of triteness. Yet they need to be recalled at a time when pessimism is so fashionable and so politically profitable.

Our country contains less than 7 per cent of the world's population. But this 7 per cent possesses and uses 35 per cent of all

the world's railroads, 45 per cent of all the world's radio sets, 50 per cent of all the world's telephones, 70 per cent of all the automobiles.

This 7 per cent (until war conditions forced a revision of the proportions) consumed 56 per cent of all the silk in the world, 59 per cent of all the petroleum, 50 per cent of all the rubber, 53 per cent of all the coffee, 21 per cent of all the sugar.

Such telltale statistics could be cited for pages and pages. Every figure is startling testimony to a new type of civilization—a civilization of abundance. Detractors and special pleaders may argue that the abundance is concentrated in the hands of "plutocrats" and "economic royalists." But the figures themselves give the lie to their arguments. By definition the "privileged minority" is small in number. How could they conceivably use up so many radios, cars, telephones, railroads? If each of them devoted twenty-four hours a day exclusively to the job of "conspicuous consumption," hardly a dent could be made in the mountains of goods, gadgets, comforts, conveniences represented by American production and consumption.

Figures of this type attest to what every American knows as an everyday common-sense fact: that this country not only produces goods in quantities and variety beyond the imagining of other peoples, but that this production is more widely distributed than anywhere else. A United States Department of Agriculture report showed that eighty-five out of every hundred farm families owned a motor vehicle. In France and in England, before the war, there was one automobile to twenty-five persons; in Germany one car to fifty-five persons; in Italy one to one hundred and nine persons; in most of the rest of Europe, Asia, Latin America the proportion begins to run into one to a thousand or ten thousand. In the United States, we have an automobile for every five persons!

Telephones, radios, railroads, automobiles, and the rest are not ends in themselves. They are the instrumentalities of a way of living and of relishing life. They must be translated into in-

dices of health, knowledge, entertainment, relief from drudgery, more integrated social life. They mean that the ordinary American enjoys standards of life, work, and leisure undreamed of even by the upper classes of most nations a few short generations ago.

The miracle of abundance is strikingly evident whether comparisons are made with other parts of the world or with the recent past of America itself. When I was a boy the twelve-hour workday was still prevalent in many parts of the country and ten hours were fairly standard. Today the eight-hour day is a fact, and had it not been for the war a forty-hour week would have been set as the national norm. A dollar a day and a full dinner pail were alluring slogans at the turn of the century; within three decades five dollars a day for the average workingman was closer to the facts.

The share of the national income which goes to wage and salary earners has been rising steadily. It was higher at the peak of the business boom in 1929 than it had been in 1919, and now it has outstripped 1929. In 1870 salaries and wages absorbed 48.7 per cent of the total national income. Sixty years later, in 1930, they were absorbing 64.4 per cent—impressive proof that as America's wealth has grown the participation of larger numbers in the enjoyment of that wealth has grown with it.

But wages and salaries do not tell the whole story of wealth distribution. There are millionfold groups in the population whose income also derives from their own direct efforts, as distinct from "unearned increment" and various types of investment, but who are not wage earners. I refer to farmers, shopkeepers, private enterprisers of a hundred kinds. When their share of the income is added to wages and salaries, the figure in 1930 rises to 84 per cent, leaving only 16 per cent for non-productive types of income. I submit that when the most opulent nation in history spreads its income to that extent we approach a species of economic democracy formerly considered hopelessly visionary.

2

In recent years American workers have been earning three or four times more than they had earned forty or fifty years ago—and doing it in one third fewer hours of labor. That labor itself, moreover, is no longer the backbreaking, deadly drudgery of the past, since machines and electric power, the mechanical servants of man, have drained off more and more of the burden of labor.

While costs of living have risen, they have not risen as fast as earnings, so that the over-all increment—real wages, as the economists put it—has mounted steadily. An infinite variety of goods beyond the reach of any but the rich have thus been brought within the easy grasp of the masses, while technological progress has enhanced the quality and durability of those goods.

In a study made for the Brookings Institution by Spurgeon Bell, published in 1940, he sums up the ever-larger popular participation in our growing national wealth thus:

“The facts show conclusively that over the course of the last century or so the increasing utilization of scientific developments and new techniques has greatly increased the efficiency of production, greatly expanded the volume of output, and greatly increased total employment—yielding in the process something like a fourfold improvement in the standards of living of the masses of the people.”

It is a statement that could not be made for any other country on the face of the earth. The only ones that could approach it, significantly, are nations where the capitalist system also has been in full flower.

At the risk of wearying the reader with figures, let me cite a few more, because it seems to me important to emphasize the fecundity of our American economic system.

Nearly half the total manufactured goods in the civilized world are produced in the United States. Studies made by the League of Nations in 1929, when the whole world was at a

maximum level of production, showed that the income of the United States was as large as the income of the next seven or eight richest countries combined, among these Great Britain, Germany, Russia, France, and Japan.

In the modern world metal production is a fair test of economic progress. To begin with there is the fact that metal output in the whole world—with iron and steel in the lead and copper third—multiplied a hundredfold in a hundred years, from 1840 to 1940. In the second place, steel output in the United States has grown some fifty times since 1879. In the production of all coal and iron, sinews of the technological epoch, American output equals output in nearly the whole of the rest of the world. In the generation of electric power, another direct index to leadership, American totals are higher than those of the next sixteen nations put together.

Iron, steel, electric power are not ends in themselves. They are transmuted into locomotives, houses, bridges, labor-saving devices, farm machinery, ten thousand other expressions of the capitalist era. And these are used by our whole population. The wealth that flows from such miraculous increase is syphoned off in contributions to health, education, diet, entertainment, and leisure.

Iron and steel and electric power help explain the extraordinary fact that American soldiers in the present war average one inch taller and ten pounds heavier than in the war a quarter of a century earlier. They help to explain that an average life expectancy at birth, which was forty-seven years in 1900, rose to sixty years in 1930, to sixty-three years in 1940, and is still rising. They help explain the unprecedented growth of the number of old people in America: between 1930 and 1940 the census showed a general increase in population of 7.2 per cent, but an increase of 35 per cent in the number of people sixty-five years of age or older.

There is no gainsaying the fact that our country has enjoyed a variety of physical advantages—vast natural resources, unex-

exploited territories that yielded large returns for every investment of human energy, a geographical isolation that protected us from the perpetual warfare which drained the strength of other parts of the world. But conceding these favorable elements, it still remains true that other areas of the globe with equivalent resources and potentialities—the great stretch of Eurasian Russia, China, South America—and with equal access to the instrumentalities of the industrial revolution remained backward, impoverished, sluggish at the time that the United States was surging forward irresistibly.

The differential is to be found in the American character and American institutions. We have given scope to individual talent and ambition beyond any other country. We have honored and rewarded the great builders, the great inventors, the daring entrepreneurs and organizers beyond any other country. We have permitted no mildewed class prejudices to strait-jacket the individual in pursuit of success and happiness.

The American system, in politics and in economics alike, has released the full powers of the human mind and bridged the chasm between dreams and reality. What distinguishes that system from all others is that it recognizes the individual as the pivot of society. Not classes as in Britain and other semi-aristocratic societies, not the aggregate population as in Germany and other totalitarian societies, but the individual man, woman, and child.

Those who fail to understand this unique American feature prattle of greed and obsessions with comfort as the moving forces in our life. They do not grasp that individualism is a national philosophy mirrored in our laws, our institutions, our mores and prejudices. The individual—his rights, his opportunities, his risks—provides the test of the good life. It is that which has toughened the fiber and tempered the mettle of the American. His hardihood of spirit has been bred by struggle, by wrestling with obstacles and overcoming them.

The modern age, as Professor Charles A. Beard puts it in *The*

American Spirit, opened with a "contest between liberty and authority." In America liberty won that contest hands down, because we had left authority behind us in abandoning Europe. The very word individualism—something quite different from "individuality"—was an American word with an American content. "Rugged individualism," though much maligned in recent years, is an American description of an American fact.

3

André Siegfried, an Alsatian Frenchman, in 1927 published a harsh and in spots devastating critique of the United States. He was especially eloquent in condemning what he called our supposed "obsession for tangible and material accomplishment."

France is today prostrate under the heel of Nazi savagery, and its hope for liberation rests in large measure upon America's genius for mass production. That is in itself a commentary on the glib misrepresentation of American accomplishment voiced by many Europeans, and unfortunately shared by too many Americans who consider themselves "intellectuals" and hence above the crass interest in tangible things obsessing their fellow countrymen.

These critics fail to recognize what most Americans feel in their bones: that in our country material accomplishment has in it strong elements of idealism and even spirituality. They lack the imagination to sense that our emphasis on concrete, physical achievement derives from a creative impulse. Hill building railroads, Carnegie smelting steel, Ford providing cheap automobiles for the masses, millions of men nurturing a business or farm, feel that they are taking part in a larger process—the process of shaping our American civilization. Though probably not one of them would think of it in such terms, they are artists chiseling a dream of plenty and general progress out of the rough marble of their country's resources.

American materialism, I am convinced, is far removed from


the new materialism of robot nations like Germany and Russia. It is not impersonal and soulless. It is, rather, the outward expression of free persons. In the conquest of their great continent, in the diffusion of goods and comforts, in their multitude of inventions, Americans epitomize a triumph of spirit over matter.

Tangible things do not dominate us—we dominate tangible things, bend them to our will, force them to yield libraries, schools, theaters, philanthropies, larger measures of health and comfort for millions of human beings. Where other nations give up personal freedoms in exchange for industrialization and electrification, we Americans have achieved these things *through the enlargement of personal freedom*—almost as by-products of that freedom. That is a vital difference. It is the difference that some in our midst tend to forget when they would give us material security but demand that we relinquish some or all “Bill of Rights democracy” in payment.

An Englishman, James Fullarton Muirhead, writing about America for his countrymen in 1900, proved that he had grasped this special quality of what outwardly seems unrelieved materialism. He reported that Americans have “an almost childlike confidence in human ability and fearlessness of both the present and the future; a wider realization of human brotherhood than has yet existed; a greater theoretical willingness to judge by the individual than by the class; a breezy indifference to authority and a positive predilection for innovation; a marked alertness of mind and a manifold variety of interest; above all, an inextinguishable hopefulness and courage. It is easy to lay one’s finger in America upon almost every one of the great defects of civilization—even those defects which are especially characteristic of the Old World. . . . In a word, America has not attained, or nearly attained, perfection. But below and behind and beyond all its weakness and evils, there is the grand fact of a noble national theory, founded on reason and conscience.”¹

¹*The Land of Contrasts* by James Fullarton Muirhead, 1900.

The American's faith in himself and in general progress is the motive force of his capitalism. It is what makes that capitalism creative. That faith has found tangible form, in total wealth and in high standards for a maximum number of inhabitants. The proof that possessions and accumulation have never been the real objectives, but only the road to an objective, is in the fact that there is as yet no sense of satiety, no letdown. Great as our physical achievements may be, we are still forging ahead, still intent on higher standards, less poverty, more happiness for more people. The proof that the goal is not wealth for its own sake is in the fact that having attained it in such great measure, we have not given up the search and the adventure.



CHAPTER V

Quacks and Cure-Alls

The unmistakable sign of the quack is his readiness to cure every bodily and psychic ill with his special brand of snake juice or banana oil. He shrinks from no challenge to his claims. He takes cancer or the ravages of old age in his stride as easily as a simple sneeze or sprain. Sometimes he is a low charlatan exploiting the credulity of suffering people; other times he is an honest fanatic or crackpot, self-deluded as well as deluding others.

From the practical angle, that of his effect on the patient under his sway, the motives of the quack make little enough difference. The honest and competent physician knows that there are no cure-alls. He neither holds illusions himself, nor peddles them to the afflicted. On the contrary, the greater the progress of medical knowledge, the more aware he becomes of the limitations of his science, of diseases still incurable, of bodily enigmas still to be explored. The intelligent physician is conservative in the best sense of the word, in that he regards radical cures warily, with suspicion.

In society, as in medicine, the sign of the quack is his ready promise of a cure-all. Whether he is a political charlatan thirsting for power, snaring the masses with glittering promises to make "every man a king," or a high-minded idealist with some fountain-of-youth theory of economic perfection, he is equally dangerous. The danger is that in offering what *should* be he prevents the working of what reasonably *could* be.

His very readiness to cure every species of societal ill, including the incurable, gives him a demagogic advantage over sober-

minded folks who promise only what is possible—and that with reservations. The political and economic quack is under none of the handicaps of the leader who acknowledges that literal security and literal equality—even if they were desirable—are humanly beyond attainment.

Let me return to the physiological analogy. Nothing between heaven and earth is so wonderfully put together as the human body. No man-made mechanism can compare to the harmony of its parts, the economy of its structure, and the marvels of its adjustment to changing conditions. It can take almost endless punishment and abuse, and has innate capacity to fight off germs, to heal lesions, to do battle with the myriad menaces that assail it. Its normal powers of recuperation are truly remarkable.

Yet even this amazing body of ours is far from perfect. Its processes of aging and painful adjustment can be made more tolerable but cannot be prevented. Certain cankerous growths for which science has still found no help bring pain and death. The marvel of it, indeed, is that the body survives so long and functions so wonderfully despite everything.

What is true of the human body is no less true of the body politic, society. Through all the thousands of years of man's travail on earth there has been no single year of world-wide peace, universal prosperity, and unrelieved happiness. This planet has never been without poverty, wretchedness, wars, plagues, floods, earthquakes, famines, slaveries, tyrannies.

In the most primitive societies life was a grim struggle against the elements, against predatory animals and bloodthirsty neighbors. In ancient civilizations at the zenith of their glory—in Egypt of the Pharaohs, Greece in the classic age, Rome at the height of its power and civilization—there was slavery, abject poverty, crime, and injustice. Always and everywhere we have had ceaseless conflict between peoples and pitiless struggles within every nation.

The marvel of it, again, is that mankind has survived and

prospered and created beauty in uncounted abundance. A thousand times it has risen phoenixlike from the ashes of wars and other disasters, its zest for achievement keener than ever. The collapse of the ancient civilizations left a residue of noble works and imperishable thoughts for those who came after. "Dark" ages led to rebirths, and every period has enriched the world with the beauties of religion, literature, architecture, accumulated knowledge.

But no age has been able to offer perfection or to escape the pains of adjustment to reality. Great visionaries and prophets have promised perfection as a goal for some far-off millennium, thus spurring humanity forward, but none of them has offered perfection here and now.

The one certainty is that whether we retain our present way of life or revolutionize it from the ground up, the human race will continue to have its measure of trouble, inequality, and injustice. The choice that it faces at any given time, alas, is never between evil and absolute good, but always between different kinds of makeshifts and approximations. There is no reason to suppose that our particular generation or decade has been set aside from all others for the attainment of perfection. Those who would make us believe otherwise should be suspected as fakirs or as self-deluded fanatics.

The communist, the fascist, the extreme social reformer ignores what the existing society has achieved and "blows up" its faults and its evils. Either deliberately or in the ecstasy of his visions of idyllic bliss to come, he overlooks the fact that the real test of a society is not what it has failed to do, but what it has actually done.

Having isolated and assembled all the imperfections of reality, what does he counterpose to it? A theoretical blueprint of perfection, a formula for the creation of an earthy Eden. Naturally, he thus reaps the advantage that fantasy enjoys over harsh fact, imagination over tough reality, rhetoric over action. His claims cannot be checked, because they are in the roseate future, whereas

his accusations against the *status quo* are visible on the surface.

I am not for a moment inveighing against high goals and great ideals, even if they are manifestly impossible. The striving for perfection is what, more than anything else, sets man apart from the lower animals. Mankind needs a high mark to shoot at. The visionary has a vital role to perform and cannot be brushed aside as useless merely because he is "impractical" and because his vision is too lofty.

But when the vision blots out the real world, it impedes instead of promoting progress. It then becomes a dangerous temptation to give up the imperfect substance for the idyllic shadow.

Psychiatrists have technical words to describe the mental aberration that confuses wishes with realities. The asylums are crowded with men and women who have escaped the problems of living in a tough world into soft, make-believe worlds of their own imagining. And societies are prone to the same kind of aberrations. It is no accident that nations which have attempted to impose a theoretical system of flawless social relations upon their populations in one fell swoop soon began to look like madhouses.

The French Revolution sought to translate theoretical formulas of social equality and economic perfection into fact overnight. France, then all of Europe, was soon converted into a bedlam, in which bloodshed, terror, war, and dictatorship took long and cruel toll.

The theorists of national socialism in Germany were able to project a picture of Aryan supermen solving all problems and perfecting a new order. They succeeded only in multiplying destruction and persecution, wiping out all human decencies, and in the end plunging themselves and the world into a fearsome war.

Nor is it an accident that in each of these cases the "escape" into a species of mass lunacy came when social conditions were especially onerous and intolerable. France had been poverty-

ridden, bled white by taxes, oppressed, and bewildered by suffering. Germany before the advent of Hitlerism had been economically prostrate, with mass unemployment on an unprecedented scale; it had been politically confused and morally without a compass.

Societies, like individuals, apparently can suffer a "nervous breakdown." When their powers of resistance, their reserves of health, are too meager for the ordeal of troubled times, they seek escape into worlds of make-believe.

Our American society, in the decade preceding the war, was subjected to terrific pressures. With the depression of 1929, much of the machinery of life seemed to stall, and faith in the real world, faith in our own capacities of recuperation and survival, ebbed. We, too, faced the danger of a breakdown. Even yet there is an unwholesome, I might say pathological, yearning for Nirvana, for safety and forgetfulness. Peddlers of patent formulas for evading the hard but bracing realities of economic life get a greater and more excited hearing than ever before.

Nevertheless, I am convinced that we have passed the crisis. Our reserves of economic health and moral vigor sufficed for the ordeal. The vigor and the unity we have demonstrated in meeting the supreme challenge of war, the extraordinary upwelling of productive energy, have provided the proofs of our essential health. They have restored our confidence in our own ability to achieve greatly and to work together. We can look forward to the postwar world with the self-assurance of people who relish the adventure of living, who do not shrink from its uncertainties, and require no sedatives in the form of promises of perfection.

I believe completely that as a nation we shall reject political and economic quackery. We shall choose instead the robust realism that has thus far made us great and prosperous beyond any country in all human history. We shall continue to prefer the challenge of opportunity, its risks along with its rewards, to the soporifics of alleged security.

I have an abiding faith in the common sense of the American people. I believe that our instincts are right, not because we are better or more intelligent than other peoples, but because we have been conditioned by a hundred and fifty years of freedom. It has been the destiny of Americans to cut loose from Authority, a concept that shaped the Old World and still overshadows its thinking. It has been the good fortune of Americans, transplanted to a new continent, to escape the tentacles of feudal traditions and dependence on one's "betters" which have held most of Europe's and Asia's populations in their grip. Relying on themselves, rather than on state or fate, has become second nature to people who faced and conquered a continent with their bare hands and their indomitable will.

This common sense will see us through.

2

Spokesmen for the American system of private enterprise—for capitalism—have too often made the silly mistake of defending the faults and inequities of our way of life. For some reason they have thought it necessary to deny, explain away, or even praise aspects of American life which no normal, decent-minded, warm-hearted human being can possibly approve. It is like glorifying slag in the process of making steel, or the faults in the human physiology to which I have alluded.

How absurd to approve destitution when each of us seeks to lessen it or to escape it! How illogical to defend want at our lowest economic levels when we are so proud of our nation's high standards of living and so determined to raise them still higher!

It is a pity and a grave mistake that we have allowed the quacks and the fanatics to obtain a kind of monopoly on verbal virtues—on the slogans and vocabulary of progress. Anyone who has a nostrum for universal happiness can pass himself off as a "humanitarian," as a champion of "the common man," as a

"liberal" and "progressive," even if the nostrum is more likely to kill than to cure the patient. Indeed, those who are most reckless and most feverish in projecting wishful thinking as though it were economic truth are most successful in donning the halo of humanitarianism.

We have not made it sufficiently clear that we oppose their gaudy projects, not because they are humanitarian but because they are cockeyed and impractical. We are in favor of heaven and virtue and perfection no less than they are, but more honest in recognizing the limitations of mortal powers to achieve these things. We have permitted various individuals and groups to pose as liberals and progressives even when the total effect of their proposals would be sadly illiberal and retrogressive. We have allowed them to make a mockery of the word "conservative," though the conservation of the best that mankind has accumulated is self-evidently of prime importance.

It is about time that the articulate representatives of American capitalism reject the notion that they are selfish, insensitive to suffering, and "reactionary." The fact is that the honest champions of American capitalism see it as the proven road to genuine evolutionary progress. They know that it has done more to lighten the burden for the ordinary man in five or ten decades than had been done in tens of thousands of years under a variety of other systems and dispensations.

We renounce the cure-alls not because we do not want the ills of our society cured, but because we believe the potions being offered to be dangerous if not poisonous. Let us therefore repudiate the idea that only those who would turn a functioning society upside down, those who would treat our people and our institutions as so many guinea pigs in their laboratories of social experimentation, are "humanitarians" and "friends of the people."

In defending capitalism I do not gloss over its deficiencies or applaud its unpretty by-products. I have no more use for the excrescences of the competitive enterprise system than the most

ardent proponent of Utopia Now. I do not yield to any socialist or communist in deploring the conditions of the so-called submerged tenth or underprivileged third. I share their sorrow, and often their shame, for the sharecroppers, the migrant workers, the slum dwellers, the "okies," the hillbillies, the ill-housed, and the undernourished.

If I could honestly agree with them that there is a short cut to perpetual plenty, freedom, and glory, I would join them. But I cannot agree to this proposition. Their Utopias, where they have been tried on a small scale in Brook Farm types of colonies, have always fizzled out in conflict and bankruptcy. But at best the scale is everything; what may be possible in a small, sheltered group, artificially selected and protected, turns to gibberish in a great and complex nation.

Too frequently, I have observed, a pathological hatred for those who are well off—a kind of blind fury against success as such—plays a larger role in the thinking of political Utopians than concern for the poor and the suffering. That is why they seem content when "upper classes" are "liquidated," even if the other classes are thereby sunk more deeply into want and political oppression.

The more extreme critics of capitalism decry its materialism, its emphasis on production, wealth, the gadgets of comfort. Actually, however, they are the ones who carry materialism to its ultimate, in that they are willing to barter freedom for economic security. As the price for minimal economic safety, for bread and a roof, they seem prepared to submit unquestioningly to a total Authority, the state, and to relinquish that freedom of action and that freedom of conscience for which most men are content to accept economic hazards.

I belong to those spokesmen for the capitalist order who accept it enthusiastically *despite* its shortcomings. We accept the steel *despite* the slag. We accept the beauty and grandeur of man's life on earth *despite* unavoidable diseases, disasters, inevitable death. We are convinced that capitalism is the system

that has yielded more desirable results than any actually tried by man. We not only wish to remove attendant evils and injustices, but believe that capitalist economy itself provides the best and surest and fastest means of accomplishing these purposes.

Throughout history, under every conceivable economic arrangement, mankind has wrestled with poverty. In the Aztec and Inca civilizations, in Egypt and Assyria, in the Greek city-states at the apex of their development, in ancient Rome in the noonday of its wealth and power, the incidence of poverty and famine was proportionately greater than in any modern capitalist nation and outright slavery existed.

The story of the centuries under feudalism has come down to us, naturally, from the vantage point of its beneficiaries. But these were a handful. The overwhelming mass of people under that system were the serfs, living on a level of poverty and inhuman toil scarcely removed from beasts of burden. We need not guess at this, because serfdom came to an end in many parts of the world only recently—in Russia it was abolished about the time of our own Emancipation Proclamation, and in many parts of Asia and a few backward pockets of Europe feudalism still persists.

Deeper and more extensive misery than any known to a modern capitalist society prevailed under the regimented monarchies of the eighteenth century—in the France of Louis XIV, for instance. The contrasts between extremes of opulence and incredible penury were far greater in the past than now, but the poor were in a state of destitution and ignorance almost unimaginable today, and the well to do lived at levels which many of our poor would reject today as intolerable.

The question, therefore, is whether we compare life under a capitalist dispensation with some abstract dream of arcadian bliss, or with reality under other economic and political systems, past and present. One need not ignore or approve existing evils to recognize that capitalism has released human energy beyond

any system of life in the past; that it has spread the products of that energy to a greater number than ever before in history; that it has "unfrozen" society, enabling men to rise, regardless of birth and race and class, as never before; and, above all, that it has brought more genuine liberty and dignity and self-respect to the masses of mankind than any other known order of living.

These are the achievements we are asked to forget, the system we are urged to scrap, by the extremists, whether quacks or honest crackpots.



CHAPTER VI

The Individual *vs.* the State

A great duel is under way in the world today. Its issue will determine the basic character and quality of human civilization on this planet perhaps for centuries to come. Though it is part and parcel of the present war, that duel transcends the war in ultimate importance. It is manifest on the surface of affairs in some places, implicit in all places. In our own country it has been at the core of the political and economic turmoil of the two decades between the two world wars, and it may become intensified to the point of a showdown in the years ahead, under the terrific pressures of postwar problems.

I refer to the fateful duel between two conceptions of human existence, two ways of life, that may be summed up in the oversimplified formula: individualism *versus* statism.

The contest cannot be identified in terms of party labels or regions, because it cuts across political and geographical lines. It is not a vertical but a horizontal struggle; I mean that it is not being fought out *between* nations, but *within* every nation, every community, every social grouping. In a sense, indeed, it is being fought out within every individual mind, for so many of us are seeking to understand the main trends of our epoch and to choose between them.

The United States is without doubt the outstanding example of individualism in practice, as well as the greatest champion of the principle, yet there are millions in our midst who yearn for the "planned society" under an omniscient and omnipotent state. Russia and Germany are the foremost examples of statism

in action, yet there are millions in those countries who yearn for release from the yoke of an enthroned state.

The history of our epoch makes no sense without this key to its mystery. The age-old struggle between Authority and Liberty seems to have come to a head. In country after country the principle of Authority has triumphed; in others, particularly in America, Liberty is still in the ascendant, though harassed and on the defensive as never before in our national career.

Everywhere, it would seem, an answer is being sought to the riddle whether the people own the state or the state owns the people; whether the individual human being or the abstract aggregation of human beings (government, society, the state) is the central element; whether the fullest unfoldment of man or the glory and power of his state is the paramount purpose of existence.

The clichés of American political tradition are as good an indication as any of the essence of individualism. All men are created free and equal. Life, liberty, the pursuit of happiness. Government of the people, by the people, and for the people. The centralized, dictated states use some of these words, but in a sense so remote from ours that there is not even a point of contact. When they speak of equality, for instance, they really mean uniformity, sameness—the equality of men in an army accepting the identical discipline, or of men in a prison subjected to the identical regulations.

For the individualist, by contrast, equality means identical freedom to be different, to make of his life and abilities such use as he deems best. He is not a cog in a machine, but a self-sufficient machine in himself. His primary assumption is that he has inherent, God-given rights which not even society can take away. In a time of supreme crisis, such as war, he may voluntarily suspend some of those rights, but even then he surrenders as little as possible and remains vigilant to restore those rights as soon as the crisis is ended.

The American Constitution, uniquely among political docu-

ments in modern times, deliberately curtails the government in its power by a system of checks and balances. Legislative, executive, and judicial branches act as brakes one upon the other, even exercising prescribed veto powers to prevent excess or arbitrary actions by any of these factors. More than that, the central government under that Constitution enjoys only *specific* privileges, those not specified reverting to the states, thus accomplishing another division of power and another system of checks and balances.

Franklin D. Roosevelt, when he was governor of New York, showed a keen awareness of the safeguards offered by local as against centralized government. He warned against the "present dangerous tendency to forget a fundamental of American democracy, which rests on the right of a locality to manage its own local affairs, the tendency to encourage concentration of power at the top of a governmental structure, alien to our system and more closely akin to a dictatorship or the central committee of a communist regime." He topped the warning with a caution that deserves to be inscribed over every American hearth, as a supplement to all fireside chats from high places:

"We have met difficulties before this, and have solved them in accordance with the basic theories of a representative democracy. Let us not at this time pursue the easy road of centralization of authority, lest someday we discover too late that our liberties have disappeared."

The American political system, most important of all, rests on the idea that the powers of government derive from the consent of the governed. In other words, every power vested in the state is a privilege conferred, and those powers not explicitly given to officialdom belong to the people. The statist theory is exactly the opposite: the government has all power, the people enjoying only those privileges and liberties which the state specifically permits them to have. Their few private freedoms derive from the consent of the government and may be withdrawn by that government.

One of our great jurists, the late Justice Louis D. Brandeis, touched the heart of America's individualism when he wrote:

"The makers of the Constitution . . . sought to protect Americans in their beliefs, their thoughts, their emotions, and their sensations. They conferred, as against the Government, the right to be left alone—the most comprehensive of rights and the right most valued by civilized man."

That is precisely the right which the statist, the super-planners of every denomination, deny and would abolish. However "humanitarian" their motives, they begin by wiping out this fundamental right to be let alone.

Democracy assumes not only the worth of the individual, but his capacity, his free will, to take care of himself. The statist assume, on the contrary, that no man or woman can or should be trusted to do so. "For his own good," he must be shielded against the consequences of his free will. For fear that he may make *wrong* decisions, he must be prevented from making *any* decisions. In the authoritarian view of the matter, making mistakes without admitting them is a high privilege reserved to government!

Distrust of excessive government power has been so widespread in America, so much a part of the fabric of our everyday beliefs, that until recently it was taken for granted. All parties and groups agreed on keeping the state within bounds, no matter how they might have disagreed on other things. The circumstance that one needs to recall this and to fight down the rising doubts and questions is in itself a symptom of the totalitarian disease which threatens to infect our body politic.

"The history of Liberty," said Woodrow Wilson, "is a history of the limitation of governmental power, not the increase of it. When we resist, therefore, the concentration of power, we are resisting the processes of death, because concentration of power is what always precedes the destruction of human liberties."

He was expressing a truism of American thought which has been repeated a thousand times in a thousand ways by a thou-

sand exponents of the American system. A generation ago no one who claimed to speak in our native tradition—certainly no one who pretended to be a progressive—would have questioned this truism. Unhappily the so-called progressives, in particular, have forgotten this precept. They have been willing and often eager to load government with more and more responsibilities—and every responsibility implies commensurate power!—because they approved the objectives. They have said, in effect:

“Too much concentrated power is, of course, dangerous. But we trust *this* government. Its heart is in the right place and it will not abuse its power.”

Such men should be forewarned. They are creating the weapons of their own destruction as self-respecting liberals. They overlook the fact that the very principle of individual freedom and individual responsibility is at stake. Once the safeguards against “big government” are removed, once the mechanisms of regimentation are put into effect, they can be used for reaction as well as reform. They can be employed by self-seekers no less than by high-minded idealists.

Alleged liberals seem tickled pink when some official agency—the National Labor Relations Board, let us say—exercises power far beyond the intentions of the law and even farther beyond the conceptions of the Founding Fathers of our Republic. Their joy flows from the fact that the agency happens to be using its excessive power for what they consider “good” purposes—to favor the radical wing of the labor movement or to “punish” management or to hamstring some business organization. In substance they are pleased and complacent because a bureaucratic perversion of the democratic system is carried out by *their* friends for *their* objectives.

But what if tomorrow or the day after the same agency comes into the hands of “undesirable” officials? What if the accumulated power is switched into reverse and employed for purposes of a wholly different character? What if the precedent set by

one agency of the state is extended to another and another department of American life, until no sanctuary of freedom and justice remains?

Unfortunately benevolent dictatorships do not represent a compromise. They represent only an illusion. The benevolence peters out, and only the dictatorship remains.

2

History is replete with proofs that concentrated power is not only a corrupting but a self-perpetuating force. Those who acquire it tend to hoard it and to expand it at every opportunity, just as other people hoard and increase their physical possessions.

Superstates, alas, are not administered by supermen. They are obliged to operate through the same kind of human, fallible, self-interested persons as run business and labor unions and other private undertakings. They quickly develop a vested right in their offices, and use their power first of all to protect that right. Invariably they snowball into unwieldy bureaucracies that become a class apart, with interests of their own—not of the people but over the people.

I shall be asked: "But do not business leaders, likewise, protect their vested rights and employ their economic power in their own interests?" True enough. But business is limited in its scope; even the largest of them is small and powerless compared to the state. Moreover, business is under a variety of restraints, by reason of competition, government surveillance, legal limitations, public acceptance or rejection of its goods or services. The superstate suffers from no such restraints. It is the sole judge of its own behavior and enforces its preferences by police, secret agents, and, where needed, concentration camps and purges.

It is surely no accident that free political institutions have always coincided with free economy, with private enterprise. It happens that capitalism requires freedom to live and survive—

the freedom represented by an infinite number of separate business decisions, some right, some wrong, some profitable, some failures.

Out of this immense number of free actions flow goods, services, profits, and losses in the logic of a living reality. We may be sure that there *is* a logic to the seeming "anarchy." Those decisions, after all, are not made in a vacuum. They are related to men's estimates of current needs and opportunities. Mistaken decisions are in the long run canceled out by financial failure; the useful ones prosper. That's the inner logic of capitalism—a control far more effective than arbitrary decisions from above imposed on everybody by duress; a control that works most accurately when it is most free.

State enterprise *must* restrict freedom, no matter how idealistic and freedom-loving its administrators. Many of those who started the communist experiment in Russia honestly believed that "the state will wither away" after a time, once capitalism had been abolished. It did nothing of the sort. Far from "withering away," the Soviet state became ever more centralized and the margins of personal freedom ever more restricted.

There were those who blamed this upon the century-old backwardness of Russia. But Italy followed suit with a state-controlled economy of its own. In 1933 Germany fell into line with the Nazi version of the superstate. And in all of them freedoms of every sort were expunged in the interests of "unity" and planned economy. Everywhere the abrogation of free economy brought with it, as a matter of course, abrogation of free politics, free speech, free press, and even free conscience.

We may take it, therefore, that political oppression is not an accidental by-product of state monopoly of economic life but its necessary and inevitable condition. The planners, especially if they are public-spirited, cannot risk the bankruptcy of their plans through interference by popular preferences and prejudices. In the nature of the case, the more total the planning, the more total the power needed to implement it.

To honest men who have been infected by the poisons of despair and look longingly to a superstate to take personal responsibilities off their shoulders I say:

"Stop fooling yourselves and us with promises of a totalitarian economy which retains political liberty. The two things are simply incompatible. You can have one or the other, but not both. Ordinary decency, therefore, demands that you drop this double talk and offer your plans for your particular 'new order' under frankly anti-democratic labels."

The communist and fascist systems of our own time are not nearly so new as their spokesmen would like us to believe. Their prototypes are at least as old as Egypt of the Pharaohs. It is fair to say, indeed, that the modern type of capitalist democracy—political freedom combined with economic individualism—is the new and unique institution. It is the really "revolutionary" idea, and one that has justified itself by works as no other in all history.

By this time the few Americans who mistook Hitler's national socialism for a more "organized" version of capitalism have been cruelly disillusioned. They have found out that the all-powerful state plays no favorites. It oppresses rich and poor alike. Whatever its original intentions, totalitarian government has inner laws of its own. Everything and everyone must make way for its imperious aggrandizement of total power. The Thyssens must be swept aside along with the union leaders.

3

Those who wish to substitute over-all government planning and operation for the private-enterprise system are fond of ridiculing the "chaos" of our present economic setup. They point to fluctuations in prices and employment, periods of overproduction and underproduction, statistics on business bankruptcy, a kind of hit-and-miss process in starting new business, manufacturing new products on an experimental basis,

and so on. By way of contrast they refer to the neat statistics, standardization, "controlled" production, and "controlled" consumption with an all-powerful government backed by armies of police and armies of officials to supervise the process.

Yet would any of us exchange our slow, unwieldy democracy for a streamlined police state? Quite aside from an unreasonable distaste for regimentation and concentration camps, we know that democracy *works*.

Out of its seeming chaos a pattern emerges. True, a pattern that arises from below is not so evident to the naked eye as one that is imposed by force from above. But it is there all the same. Out of the clash of many wills, many opinions, many self-interests there comes action that is roughly representative of the general will. The price in inefficiency and delay is minor compared to the price in oppression of body, mind, and spirit that must be paid for the streamlined surface unity of the super-state.

Besides, that unity is more seeming than real. Teeming discontents engendered by state tyranny seethe and boil under the surface, threatening to break through. That is why collectivized states must always build up such vast machinery of secret police and other repressive institutions.

That efficiency, too, is more seeming than real. Economic blunders which in a capitalist society show up for all to see are concealed; they can be covered up with lying statistics or political oratory in the totalitarian society. But even granting the most optimistic claims of the super-planners, we prefer our "chaotic" democracy. We are content to accept the inefficiency of checks and balances; the uneconomical duplication of divided authority between federal and state governments; the waste of energy involved in unrestricted free speech, press, and assembly.

And for the same reason we prefer the "chaos" of private enterprise. Prescribed production, rationed consumption, nationwide plans on the model of the late unlamented N.R.A. may be more efficient in theory. In practice they merely prevent the

full, exuberant expression of a nation's will to produce, create, experiment, risk. In the "planned" society an error in calculation brings colossal harm in its wake if only because of the scale of the undertaking; after all, plans can be wrong as often as they are right. In a free economy the error of one man is balanced by the brilliant achievement of another, and in any case it is soon corrected by a process of elimination. Millions of variegated actions combine to attain a living balance.

In the collectivized state, economic measures are made arbitrarily and enforced arbitrarily. There are no safety valves, no brakes. One bad judgment may doom millions to penury and even death. Those measures need have no inner logic, no relevancy to actual conditions, since they are handed down from above.

But capitalist enterprise is checked at every point by the laws of supply and demand, the pressures of competition, the public reaction to its products. Its "chaos" is actually the ferment of growth and change—of energy bursting its bounds. Its seeming inefficiency is in reality proof of a continuous and healthy process of mutual accommodation. Its laws are not artificial but an integral expression of community needs, appetites, and capacities.

The basic totalitarian fallacy is that officials, by virtue of their titles and impressive powers, are somehow more than mortal; that they somehow avoid the errors of judgment and the temptations of self-interest commonly on view among ordinary men in private undertakings. The common-sense fact, however, is that men are not miraculously changed by assuming public office. The bureaucrat carrying out some economic task is neither wiser nor better than the employee of a private corporation doing the same job. He is merely more irresponsible. His mistakes and greeds are "on the house."

A man in private business prospers or fails roughly in proportion as he meets public needs mirrored by the free market. Unless he delivers the goods he simply will not survive. He

cannot evade facts; competitors and customers are always there to enforce his contribution. But the same man in government can compound stupidities almost endlessly. Since he makes no investment, he can suffer no losses. His tenure of employment is assured no matter how badly his firm—the superstate—may fare. In the final analysis his economic safety depends less on accomplishment than on political connections, demagogic skill, and often a talent for evading responsibility by doing nothing but doing it impressively.

The very “efficiency” professed by superstates is a piece of trickery. Losses do not show up in red on the books; they show up in greater burdens on the whole people. Where we find a seeming advantage for the state system, a little search reveals that the public is paying the difference in taxes or higher prices.

The power-state, under any disguise, is the very antithesis of the American democratic concept. Our ideal of decentralized government, the split authority of checks and balances, a high degree of local autonomy is at the other extreme from the superstate necessitated by socialized economy. None of the claims made for the latter stands up under scrutiny. But even if they did, even if they yielded the magical fruits promised by its promoters, we Americans should renounce it on the one and sufficient ground that it denies us that freedom which we need as much as we need food and air.

There are many able Americans who feel, and rightly so, that they could “make good” in a controlled economy under an all-powerful state, just as they have “made good” under capitalism. In one system or another, native abilities go a long way. The executive who owns his business can, without too much straining of his imagination, see himself as a state official administering a state-dominated business. What he will lose in monetary returns he may make up in the coin of personal power, and that means more to some kind of people than wealth.

In rejecting the state economy such men, therefore, are not merely protecting their “little piles.” Ordinary fairness demands

that we admit that they hate tyranny because it is hateful, quite aside from its impact on their own positions. The most articulate and able opponents of statism, in sober fact, have been men and women without any personal fortunes or large property holdings. They have been people who loved freedom for others as well as for themselves.

Personally, I suppose I should find a tolerable niche in any society. My success in the capitalist setup has been decidedly on the modest and moderate side. I have enough of those attributes which might be called "political"—enough glibness of tongue and capacity for group leadership—to take me farther, perhaps, in a wholly politicalized society than in a wholly private one. Yet life under such a dictated, managed, and regimented dispensation seems to me horrifying, even if I were in the minority of those who dictate, manage, and regiment.

And that, I venture to surmise, is the feeling of the overwhelming majority of Americans—businessmen, politicians, professional men, labor people. We have no stomach for life in a prison, even if we can think of ourselves as keepers and wardens rather than inmates. We want to be free in a free country, and should despise ourselves if we were free in a strait-jacketed country.

4

Social reformers in the past have often complained against the assumption of political power by business groups. The possession of wealth and economic influence is in itself a form of power, and the people are justified in taking reasonable measures against its abuse. But when political authority, through undue control of the government, is added to that economic power, the situation becomes intolerable. Most intelligent conservatives will agree to this, and all liberals, intelligent and otherwise, will insist on this.

Yet the same liberals fail to understand that the combination of economic and political power in one set of hands is no

more wholesome when it is obtained in the modern fashion—that is to say, when the state takes over the economic reins. *The result is the same whether business absorbs government or government absorbs business.*

Safety for the common man—or the uncommon man, for that matter—lies in the greatest division of functions in our complex society, so that every group or interest exerts some restraint on the others. Management, organized labor, organized agriculture, government, the many subdivisions within these categories each serve as a natural check on the others. In the measure that they coalesce under a single control (which is quite different from co-operation by free and independent elements) our democratic freedoms are endangered. The safety of the democratic way of life lies in multiplicity, never in uniformity.

Let me venture a prediction which, I hope, may also strike the reader as a timely warning. If recent tendencies toward state domination of business in our nation should go unchecked much longer, *we must expect to see business moving in on government.* That process, as we shall note in a later chapter, is already under way in England, and signs of it are not lacking in our own country.

If the rewards of business risks are to be limited almost to the vanishing point, while the risks and losses remain as great as ever, why continue at all? In that case why not allow and even encourage government to take the headaches along with the profits? If bureaucracy is permitted to rule the roost, will not the great executives and administrators be tempted to take over the bureaucracy as the only outlet for superior organizing and business talent? They need only adjust themselves—as so many able men in collectivized societies have done—to hoarding power instead of making money to become perfect bureaucrats themselves.

That is one danger which those liberals who have, paradoxically, taken over the highly unliberal statist ideology fail to fore-

see. The very thing they feared—concentration of both political and economic authority in the same hands—will have been achieved under beguilingly “progressive” labels.

In building up the authoritarian state they are playing with dynamite. Statism is more menacing today than ever in the past because modern technology has equipped government with mechanical means for enforcing its arbitrary will such as absolutist tyrannies in the past did not dream of. In the days of the Roman Empire it took weeks and months before a new oppressive edict could reach officials in more distant places and become effective. Today the telegraph and the radio enable the dictator state to exercise control efficiently, instantaneously, and totally. What is more, by control of radio, printing presses, schools, television, it can also hold the minds of its population in subjection.

Everyone recognizes that the regulatory role of government in economic life is inevitably larger in our era. But for that very reason, it seems to me, we have urgent cause to hold tight to the most basic idea in American political philosophy and tradition—the idea that government is a tool of the people, never the other way around. In our economic life government must be kept to its role as an arbiter, not as a competitor or dictator.

The power-state, of course, denies that free will of the individual. All will is monopolized by the government. That explains why totalitarian nations are always in greater or lesser degree hostile to religion. Religion, like democracy, assumes that man is a worthy object in himself and not merely an infinitesimal and contemptible cog in a great machine; that he has a conscience to which he must be true and a soul to be saved.

The duel between individualism and statism is the most decisive fact in this period. America indubitably belongs on the side of individualism. We must not lose by default.

The New Deal Appraised

Are you *for* the New Deal or *against* it?

Though the question makes no sense, few sensible Americans will refrain from answering it. Most of them, in fact, will proffer a categorical answer with the emphasis of fervor normally reserved for a discussion of the virtue of one's mother. Approval and denunciation are usually of the blanket type, despite the fact that few New Deal leaders can themselves adequately define the phrase; and despite the fact that the more excited anti-New Dealers who attempt a definition peter out in cuss words.

All of which is proof that more heat than light is brought to a consideration of the subject. Sentiment has gotten the better of sense in much of the political oratory, private and public, on both sides since the second Roosevelt entered the White House. We might almost say that the New Deal is a state of mind, rather on the inflamed side, too, on the part of those who opposed no less than those who sponsored it.

Corner an ardent but honest opponent of the New Deal and demand a point-blank decision on whether the New Deal should be scuttled. It will soon appear that he will wish to save any number of principles, laws, agencies, and even individual officials from the general demolition. In a mellow moment he may even concede that certain actions and policies which he condemned at white heat when first proposed by some Washington brain-truster have turned out better than he feared.

By the same token, most honest New Dealers will admit that the Great Experiment launched in 1933 has brought a variety of

abuses and dangers in its wake. They may explain and alibi the mistakes, the excesses of bureaucracy, the concentration of unprecedented authority in the hands of appointive officials, the dangerous appeals to class feelings. But they will not necessarily approve such things. The many fluctuations in New Deal policy during more than a decade are in themselves implied admissions of error.

The fact is that there is no fixed body of beliefs or policies that can be accurately described as the New Deal. It has rarely been the same at any two points in its tempestuous career. There is an old New Deal of the early N.R.A. epoch, a new New Deal of the present war period, and any number of intermediary embodiments of the rubbery term. It is notorious that many vehement New Dealers at one stage have emerged as the most furious anti-New Dealers in a later stage. To credit this to purely personal motives would be ungenerous and untrue; not these men but the New Deal itself had changed its character in respects which these men considered vital.

Yesterday's brain-trusters have again and again become today's anti-New Deal block-busters. While private piques may play a part in these conversions, human nature being what it is, the phenomenon is also proof of the contradictions at the heart of the New Deal. It is not without some significance, moreover, that the New Deal, though generally championed by "liberals," has been most thoroughly attacked and debunked by liberals such as John T. Flynn, Raymond Moley, Benjamin Stolberg, and others.

I have found, in many years of discussion and analysis of the Roosevelt administration policies, that there is more opposition to its methods than to its objectives. In a great many instances, indeed, there is more distaste for the men than for either their methods or their purposes.

By this time there are few socially minded American leaders who deny that many of the reforms initiated by the New Deal had been long overdue. The more candid among them will

acknowledge that many of the changes would have been put into effect by any other administration. They were "in the cards." Only the hectic prosperity of the pre-New Deal years and the smugness it had induced postponed legislation and recognition of society's obligations to its citizenry that were inevitable in any case.

The main evil of the New Deal period, as I have already intimated, was its spirit of vendetta and class warfare—its refusal to explore and exploit areas of agreement. Mr. Roosevelt and most of his lieutenants took their stance on the heaving margins of difference and mutual suspicions. It was that which made their aim erratic and surrounded their every act—including the most laudable and sensible—with a feverish atmosphere of crusading, do-or-die warfare.

The New Dealers were not alone to blame for this ugly situation. It takes at least two to make a quarrel, and many of the "antis" happen to be as gifted and as passionate in making quarrels as Mr. Roosevelt himself, which is saying a great deal. Our very traditions of free speech and uninhibited mudslinging served as guarantees that the fracas would be loud and lively—and it has been. The business-baiters and the Roosevelt-haters proved equally lusty fellows. The American, as Hitler and Tojo are discovering, is a mighty scrapper, whether in foreign or domestic conflicts.

2

Quarrels always explode around symbols, and the most potent of these was Franklin Roosevelt himself. Not since Andrew Jackson and Abraham Lincoln, I suppose, has any President of the United States been so execrated and so glorified by his own generation. At the risk of upsetting the metabolism of my more unbending anti-F.D.R. friends, I want to confess a robust, non-partisan admiration for him.

Long before I had the privilege of meeting Roosevelt and

working on some of his wartime committees I was impressed by his energy, skill, and earnestness, in roughly the order named. As an opponent he seemed to me worthy of any man's mettle. The relish that he brought to a fight, even when he was indubitably on the wrong side, as in the notorious court-packing episode, was something for a spirited American to marvel over. Nor am I the only anti-New Dealer who harbored a sneaking pride in the dynamic, fighting qualities of "That Man in the White House."

No man looks the same in close-up as he does at long range. Mr. Roosevelt is neither a monster nor a miracle man, but a highly capable citizen called to leadership in our nation's most trying hour in this century. Many a bitter opponent drawn by circumstance into close contact with him has turned into an admirer—the famous Roosevelt "charm" is usually cited in explanation. An even larger number of ardent admirers, after too much close contact with him, have turned into bitter opponents—the famous Roosevelt "guile" is cited in explanation.

There are, it seems to me, three Roosevelts, one impinging on the other.

There is Roosevelt the man, as fine a specimen as our country has produced. Born into wealth and family, he is a democrat to his finger tips, with a genuine sympathy for the underdog. No one who has known him intimately doubts the sincerity of his social conscience. Friend and foe alike must be thrilled by the courage and the spiritual vigor that conquered physical handicaps which would have laid lesser men low. Though there is more than a touch of the snob in his heritage and make-up, he meets all men as an equal, whatever their race, creed, or station. There is nothing remotely stuffed shirt about him. He talks easily and racily—on occasion excessively, I must add—in man-to-man spirit. He laughs easily and contagiously, and with equal exuberance whether his friends or his enemies are the butt of the joke.

Let me put this first Roosevelt, the man, into the most ele-

mentary terms I can find. If he were not President but your next-door neighbor, an associate in your business, or a casual Pullman acquaintance, you couldn't help liking him. You'd decide that you want him as a friend, because he is an interesting, amusing, and authentic personality.

Second, there is Roosevelt the politician. Unless you have a special taste for such things, you would be decidedly less enthusiastic about this one. It is, as a matter of fact, the cunning, conniving politician rather than the man who has been so successful in transforming enthusiasts into detractors: Hugh Johnson, Raymond Moley, Joseph Medill Patterson, Stanley High, James Farley—the list could be extended into a prominent score.

Roosevelt understands and enjoys the game of politics as other men relish their favorite sport, and he has no more conscience about toppling over an opponent than a halfback in the throes of a hotly contested football game. He has the shrewdness and a lot of the ruthlessness of the political adept. He thinks in deals, bargains, blocs of votes, and pressure groups as naturally as you and I, if we are both businessmen, think in terms of markets, costs, overheads, profits, and losses. There are few men in public life, I venture to say, more skilled in dangling the carrot of promises before the eyes of plodding political donkeys. And he is not a man to hang around too long with a lost cause.

Finally, there is Roosevelt the President. In that capacity, I am convinced, he has as keen a sense of the sacredness of his position and the magnitude of his responsibility as any of his predecessors. Those who doubt this are, I fear, unmindful of the psychological effect the presidency has on a man. I do not believe that any man invested with the dignity of the greatest office in the world could fail to respond to its challenge, or be less than a total patriot. The very title of President of the United States of America works its magic over the most self-centered and mediocre men—and Franklin Roosevelt is neither of these.

He has an acute sense of his own place in history, and of his obligations to coming generations. In talking to him I have some-

times had the feeling that he was stepping back a few decades and looking at himself in the perspective of time. Men who knew Woodrow Wilson intimately have told me that this trait was especially strong in the Princeton president as White House incumbent. Perhaps it is one of the "occupational diseases" associated with the office; but it has its wholesome side, in that it makes a man President first—Democrat, Republican, New Dealer, or what not second.

Small wonder that these three Roosevelts, confined in one vigorous personality, jostle one another and contradict one another. The politician intrudes on the President, the President reproves the politician, the man brushes them both aside. They dispute one another and strike compromises, to the confusion of admirers and critics alike. The President soars to peaks of patriotism; the politician condescends to vituperation and small vengeance that grieve his friends; the man shows streaks of generosity, horseplay, pettiness, vanity, like all sons of Adam. Had Roosevelt been more the statesman-President and less the politician, his administrations might have been less embittered, his reforms on a more constructive and more enduring level.

3

We have heard it said again and again that the New Deal, for all its nasty cracks about economic royalists, was really on the side of private enterprise. It was "saving" capitalism from the consequences of its own mistakes. The President, for one, repeatedly said or implied as much.

For doting parents sadly administering a much-needed spanking to a wayward child, they put rather too much force behind the blows and seemed to get altogether too much fun out of hearing the brat yell with pain. Yet it is a fact that there were many in the New Deal hierarchy who believed in the basic validity of the individualist way of life. They looked on various measures as harsh medicines for a very sick patient. They felt

that once the patient had convalesced, he could be allowed to resume his old existence.

But these were distinctly a minority. The great mass of officials who surrounded the President, who headed up new boards and commissions, who staged inquisitorial hearings and loaded business with punitive restrictions, can be divided into two main categories:

First, there were those who loved the patient and would have liked to see him make a full recovery but simply did not believe he had what it takes. He might remain alive, but as a chronic invalid, subsisting on government pills and getting around with the aid of official crutches. They regarded the system as "mature," its reserves exhausted, its "frontiers" closed forever. They were the defeatists, and their name was legion. I shall deal in another chapter with what I consider the fallacy of their thinking.

Second, there were the New Dealers who never did like the patient, made no bones about their sentiments, and wanted only to speed up his demise. In their eagerness to have the job finished and over, they pronounced burial prayers rather prematurely, and seemed much distressed when the capitalist corpse moved an arm or twitched a leg. They were not averse to mixing a little arsenic with the medicine.

These were the collectivists, socialists, communists, super-planners who looked upon business as an enemy to be destroyed. They regarded capitalism as a system of "exploitation" and businessmen as "parasites." They did not take office with a view to easing the tension of a difficult period, or curing capitalist ills. They were not interested in restoring the even tenor of the American way of life. The crisis of depression seemed to them a God-given opportunity to deliver the *coup de grâce* to what they considered a decrepit and tottering system.

They exulted over the coming new order of controlled economy, and shamelessly used their powers to repress private initiative, to discourage financial recovery, and to undermine

faith in the American idea of economic freedom. These collectivists made little, if any, pretense of good will toward the "expiring" order. They were not spanking, they were conducting war on all fronts. Entrenched in a variety of new agencies, equipped with powers never intended by the framers of our Constitution, they made decisions and promulgated orders with the candid intention of hastening the day of full socialization.

Unfortunately these anti-capitalists, big-government boys set the tone and fixed the temper of the New Deal in the heyday of its rule. Theirs was the vicious billingsgate that flooded the land with attacks on manufacturers, bankers, and other "exploiters." Theirs were the campaigns that gave the New Deal all the appearance of a continuous pitched battle against the alleged "money powers." In any dispute between capital and labor, their decision usually favored labor; in any dispute between moderate and communist-controlled labor, their decision usually favored the latter.

The collectivists did not dominate the New Deal as a whole, but only some of its departments and activities. They did, however, succeed in giving the entire political show their special coloration—the color of class conflict. They succeeded in closing all doors to business co-operation with government and with labor, stressing conflicts and denying every normal identity of interest. Because of this ingredient in the New Deal setup, policies were too often punitive rather than curative, too often slanted to destroy private enterprise rather than to restore its vitality.

I stress this point because one must draw a distinction between the social ameliorations attempted or accomplished by the Roosevelt administration and the spirit in which these measures were introduced and administered. Whether or not the President was personally to blame makes little difference. Facts are facts. There were believers in private enterprise in the New Deal government, but they felt like interlopers and were treated like interlopers. Whatever the intentions of the top men, man-

agement and finance felt themselves despised, baited, persecuted—and they responded in kind.

In this atmosphere of hostility and mutual recrimination it was too much to expect that business would risk new enterprise, or that investors would risk their accumulated capital. It was an atmosphere conducive to economic paralysis. Why venture when venturing was being denounced from a thousand public rostrums as anti-social and almost criminal? Why build up a surplus when another arbitrary decree by another exponent of the new socialized order could wipe it out with one stroke of his pen? Why co-operate with bureaus set up as emergency measures when their officials seemed eager, above all else, to slug private enterprise over the head and make the said measures permanent?

4

The most serious count against the New Deal, in my view, is its rash defiance not only of the form but the spirit of American democratic government. The fact that the motives were often noble, or the problems often unyielding to normal methods, does not in the slightest reduce the gravity of the evil. Solutions of economic or social problems which at the same time help to destroy the essence of the American system are not solutions at all, but a kind of suicide.

Like millions of other Americans who were, on the whole, sympathetic with New Deal goals, I was thoroughly alarmed by the so-called court-packing effort. The failure of that project demonstrated that the patient, though badly mauled and shaken, was far from dead. The Supreme Court is certainly not a super-human institution. It has made its quota of mistakes, and has admitted as much by repeatedly reversing its own judgments. But it symbolizes our traditional concept of checks and balances. To tamper with its machinery was to tamper with American democracy.

The court-packing affair, however, was not an isolated epi-

sode. It was only the most extreme and most visible expression of a larger tendency—the tendency to substitute law by edict, constitutional practice by administrative orders. The New Deal was in effect seeking to “get around” the constitutional division of government into three independent branches. It was a maneuver of circumvention. In kind it was no different from the later imposition indirectly of a \$25,000 limit on incomes after Congress had specifically refused to impose it directly. In kind it was no different from the practice of using funds at the disposal of executive administrators for purposes specifically rejected by Congress.

When the people in a democracy are tempted to confer new and exceptional powers upon their government, they should always ask themselves: “Will I be satisfied to have such powers exercised by the party I dislike and fear?” The liberals must ask themselves: “Are these the kind of powers I would care to have in the hands of reactionaries?” New Dealers must ask themselves: “Now what if this immense new authority should be inherited by a Coolidge or a Harding?” If the powers are such that I want them used by government only *so long as my friends control the government*, then I am a fool to let them have it. There was something of this common-sense attitude in the apprehensions aroused by the constant enlargement of federal functions under the New Deal.

As the government took over more and more responsibilities, the number of special agencies increased and the army of government employees expanded. Some of this was unavoidable. The danger was not so much in the dimensions of the mushrooming state apparatus as in the methods it pursued.

Management, labor, agriculture, every element in our economic life faced an avalanche of executive orders and bureau directives which were in effect laws, punishable and enforceable—laws neither passed nor sanctioned by the constitutional lawmaking body of our government. Every one of the teeming new agencies became a little self-sufficient oligarchy: under the

thin disguise of "orders" and "decisions," it made laws, executed them, and sat as judge and jury in interpreting them and punishing violators.

If there is any one principle above all others that reaches to the core and center of the American system of government by law rather than government by persons it is the strict division of executive, legislative, and judicial functions. Those who framed our government wished to make certain that our freedoms would not be at the mercy of the whims of "good" or "bad" officials. These freedoms were to remain inviolate, beyond the reach of capricious men and shifting interpretations.

One can trace, in the Constitution itself, the clear desire of its authors to erect barriers among the three branches of government, in order that each might act as a brake on the other two. This limitation on authority is further supplemented in the Bill of Rights. The ninth amendment provides that "The enumeration in the Constitution of certain rights shall not be construed to deny or disparage others retained by the people." And the tenth amendment provides that "The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people."

Government by administrative order runs counter to the letter and spirit alike of our constitutional system. But it is precisely that sort of government which the New Deal encouraged. The exigencies of war have made it difficult to cope with this trend; in many respects, indeed, the trend has been intensified. I believe it will be one of the principal political tasks of the next generation to restrict and, where necessary, to dismantle executive agencies which have arrogated to themselves legislative and judicial functions.

The social reforms that can and should be salvaged do not require a revision of the American form of government. Our system of democratic law is wide enough and resilient enough to provide ample room for government activities—from relief

and social security to public works—without resort to totalitarian methods. It is a sign of political health that the public has learned to recognize and Congress to prevent the circumvention of constitutional intentions.

If I were to summarize the evils of the New Deal as I see them I would list the following:

1. Its unfortunate resort to the language, techniques, and philosophy of class conflict at a time when the most urgent need has been co-operation.

2. Its attempts, all too successful on occasion, to legislate by administrative decrees, substituting government by officials for government by law.

3. Its clear tendency to excessive centralization, whereby it has intruded upon the prerogatives of the States and, more important, the prerogatives of the people. The widest local autonomy is not an accidental American fetish. It is wholly in line with the democratic distrust of excessive power in a few hands. Those who argue that the complexity of modern life makes such concentration necessary are on the wrong track. The contrary is true. The more complicated and varied our life, the less logic there is in setting up over-all authorities who cannot possibly cope with the endless local variants of national problems.

4. Its deleterious emphasis upon negative and defeatist ideas and procedures, such as "made" work, plowing under, spread work, measures against saving and investment. The very habit of productivity, the faith in abundance has been hurt by such insistence on curbing, restricting, beating down the creative urge of man.

5

Despite excesses in their practice, I approve the principle of certain phases of New Deal policy.

Relief for all Americans in distress, through unemployment or for other reasons, seems to me a matter beyond doubt. "Let them starve" is the slogan of savagery—a type of ruthlessness

that is out of place in a civilized society. The methods of financing and distributing relief are technical problems. The basic idea is indisputable. The recognition of this social obligation was long overdue. It had already been acknowledged by the federal government, and much earlier by state and local governments, before the advent of the New Deal.

The same holds true for relief to farmers hard hit by economic dislocations. Distress in agricultural regions is less evident than in urban centers, but it is none the less real. The unfair spread that develops from time to time between prices for farm products and manufactured goods represents a problem that must be solved with the help of society as a whole.

The protection of labor's right to collective bargaining, a field in which the New Deal has advanced onto new ground, is another accomplishment that remains as a permanent gain. Notwithstanding silly and self-defeating misuse of the Wagner Act, its underlying assumptions seem to me in line with reality. The Act obviously needs clarifying amendments to make it less lopsided.

The Security Exchange Commission, in the same way, can be made a stout support of the capitalist system. Revised to remove unnecessary restrictions on the flow of capital, purged of its bureaucratic accretions, the commission can serve to spur investment in job-making enterprises. Legislation to safeguard bank deposits and regulate the operations of banking institutions likewise seems to me a desirable and permanent expression of public interest.

In the spirit of the Middle Way for America these and a good many other New Deal measures can be absorbed and brought into alignment with a freely functioning private-enterprise world. There are things that government can do. But the state has no magic wands for abolishing economic facts, for evoking prosperity by fiat, for drawing wealth from arid soil. We cannot suspend economic laws any more than we can suspend physiological laws.

The promises of a bankrupt, profligate government are as worthless, in the long run, as those of a bankrupt, profligate individual. Economic problems are not automatically solved when taken over by the state—they are merely disguised in some new form or concealed from view by demagogic hocus-pocus. In the final analysis someone must pay the bill. Government measures for social security, full employment, or any other purpose which stops America from growing, which chokes off private initiative, are doomed to failure because they resolve into promises which cannot be kept.

“‘Liberalism,’ in the vocabulary of many aspirants for public office,” the *New York Times* declared in a recent editorial, “has come to mean largely the promise of liberal spending of public money for those who have the most votes to give.” They are worthless and dishonest promises unless supported by policies that encourage creative enterprise, the free flow of capital, and in general a healthy capitalist economy. In so far as they promote dependence on government instead of self-reliance, on handouts instead of increased production, on tax exactions instead of risk capital, they run counter to everything that America stands for.

The designation “New Deal” has been ostentatiously abandoned by the President, indicating a trend “to the Right,” to use an expression that is not altogether accurate. But the facts compassed by the New Deal, good and bad, are with us. The time has come to sift reality from legend, to examine the crucial Roosevelt era without passion or bitterness, so that we may retain the constructive elements and repudiate the destructive tendencies.

Let us not squander our best energies in quarreling, with history and crying over spilt milk. Statesmanship must take precedence over partisanship—in the thought and actions of the political “outs” no less than the “ins.”

CHAPTER VIII

A People's Capitalism

There was a time, not so long ago, when we uttered the word "capitalism" softly and apologetically. There are still some among us who search the dictionary for euphemisms and evasions. But I believe capitalism has no need of apologetics. Despite all its faults, all its frailties, and all its failures, it glows with the colors of perfection when compared with other known and tried economic systems.

Some people steer shy of the word because it has been given a bad name by slick propagandists. They have been intimidated by endless tirades against "bloated plutocrats" and "swollen profits," "capitalist exploiters" and "Wall Street bloodsuckers." That is why even some defenders of the capitalist system take refuge in the nebulous phrase "private enterprise" or run to cover in the folds of the flag and talk about the "American way of life."

It *is* private enterprise and it *is* the American way of life, but its essence is capitalism. It is about time we swept aside all the vocabulary of vituperation that has been attached to capitalism and viewed the bare facts. Whether we approve of it or abhor it, whether we believe that it is young and virile or that it is senile and about to breathe its last, we should at least recognize its identity.

There is no need to confound the issues with adjectives drawn from the domain of ethics. Capitalism is neither "good" nor "bad," because it is not a living creature whose moral character

can be assessed. It is a process, and all that we need to judge is *how it works*. We must appraise it, in the final analysis, by what it accomplishes when measured by the yardstick of tangible goods like standards of living and intangible goods like freedoms of living.

The name calling to which capitalism has been subjected is thus one of the main factors of confusion. Another is that we tend to think of capitalism only in relation to financiers, bankers, owners of business, leaders of the management phase of production and distribution. Such people, it is true, have important functions in the process of capitalism and can therefore rightly be called capitalists. But they are not the only capitalists.

Everyone else who participates in the process, actively or passively, is no less a capitalist. Farmers, foremen, ordinary workers, the tens of millions who own insurance policies, a few shares of stock in some business, whose savings on deposit in the banks are invested in business ventures, are capitalists. They each have *a stake* in capitalism.

"If this country ever gets a system of governmental regimentation, labor will suffer most," William Green, president of the American Federation of Labor, has said. "Labor is therefore deeply interested in the preservation of private business; and labor should everlastingly maintain that the owners and managers of business are entitled to a fair and just return upon their investments."

Dr. Frank P. Graham, president of the University of North Carolina and esteemed as a true liberal and a champion of labor's rights, wrote in his opinion in a National War Labor Board Decision on July 16, 1942:

"High on Hitler's list of the institutions of democracy early marked for the destruction necessary to clear the way for the rise of Nazi dictatorship were and are the church, the parliament, the corporation, and the labor union. These four institutions are the focal motive force of the four main chapters in the rise of human freedom. The freedom of human beings to organ-

ize in autonomous groups has been won through long struggles in the fields of religion, politics, business, and labor."

And finally let me cite one more appropriate quotation; this from Dean Wayne L. Morse, public member of the National War Labor Board:

"Organized labor fully appreciates the fact that it will lose as much as, if not more than, any other group in our society if the American system of economic and political democracy should ever suffer defeat at the hands of a foreign invader or from revolutionary hysteria.

"Organized labor can be counted upon to fight to preserve our capitalistic form of economy, because it is that system which has enabled the American worker to enjoy a higher standard of living than workers of any other country. Our system of American free enterprise, subjected to reasonable government regulation in the interest of the common welfare, has been very instrumental in giving to the American workman an abiding faith in the democratic principles of self-government."

Each of these men in his own way has underlined the elementary but oft-forgotten fact that labor has a stake in the capitalist system. Labor unions as we know them in our country are distinctly a capitalist institution, sharing all the virtues and all the faults of capitalism; contributing to the sum total of positive and negative elements in the system, precisely like management, banking, agriculture, professional services. Abolish capitalism, and you snuff out also trade-unions. The *name* may remain, as in Germany and Russia, but the fact—self-sufficient, independent bargaining agencies within the capitalist framework—will be no more.

A C.I.O. leader in Washington wisely remarked not long ago: "I would rather bargain with any private employer than with any bureaucrat. The bureaucrat has jails." What he meant, of course, is that you cannot strike against a government; in totalitarian states strikes are regarded as "treason" or "counterrevolution," and punished as such. You cannot even truly bargain

with a government: law takes the place of mutual agreements. It was that knowledge which promoted another labor leader, Robert Watt, who has been active in government wartime agencies, to assert:

"After this war I want no gigantic governmental Reconstruction Finance Corporation to finance business and dominate it; and I want no gigantic governmental Work Projects Administration to employ labor and dominate it."

Mr. Watt comprehends that labor is as truly an integral part of capitalism as management. Both capital and labor would remain and would have a role in any other system, but they would no longer be private capital or private labor; both would be owned, controlled, dominated, ordered around by an arbitrary group acting in the name of the state.

2

Language has disastrously obscured the main questions. The rock-bottom fact is that to start a factory, to start the jobs inside that factory, you have to have savings. You have to have unemployed money which can be put to work. You have to have capital. It takes thousands of dollars of capital to equip a modern factory with the machinery for one job for one wage worker. Free enterprise and the American free way of life are the setting, the atmosphere. But capital is the seed in the soil. Unless we produce that seed, *and unless we plant it*, there will be no new crops of private jobs for the American people.

In this age, which is prone to think about *welfare* without reference to the *wealth* which is needed for welfare, such a bald statement of a simple economic fact sounds "reactionary." Well, let me summon to my aid one of the wisest friends of labor and business alike that this country has ever had: the late Justice Brandeis. Addressing a trade-union audience in Boston, he once said:

"It is absolutely essential that a business be profitable. I do

not mean merely that the business should not be run at a loss. I mean that the business should be run under such conditions that the owner is willing to risk his capital in the business."

Note the phrase "risk his capital." He was saying in other words what William Green said in stressing that "the owners and managers of business are entitled to a fair and just return upon their investments." It is not at all a matter of fairness and justice—it's a matter of physical necessity. Unless there are chances of profits, there will be no investments of risk capital. Unless the aggregate profits are larger than the aggregate losses, there will be no *new* capital to be risked. The whole capitalist process will then tend to freeze up; its lifeblood, risk capital, will cease to flow.

I have sometimes thought that free private business is like a motorcycle. It must move. If it stops, for lack of gasoline, it topples over. Risk capital, in that image, is the gasoline.

Business can get nowhere by starving labor. Most intelligent businessmen have recognized this. When business starves labor, it is starving the purchasers of its own products and restricting the market for its own goods. But labor, by the same token, cannot get anywhere by starving capital. When it imposes conditions that starve capital of all profits and savings, it is preventing the creation of new capital and thus shutting off the sources of new jobs. It is endangering its present jobs and starving its own future.

The same thing holds true when government starves capital by wiping out all new savings and all new capital through taxation. The public treasury will then hold all the available investment capital. Who could then create new jobs? Only the government. We would be on the threshold of the totalitarian state. A small number in America deliberately want a superstate. But a lot of Americans are plumping for policies which lead to the superstate. They are defending or demanding procedures that limit or eliminate the alternative to the superstate, which is a free capitalism. What threatens us, one might say, is uninten-

tional, almost absent-minded, acceptance of totalitarianism.

It seems to me significant that the A.F. of L., in making tax recommendations to Congress, offered not only suggestions in behalf of labor but added:

"Corporations also need a postwar reserve in order to convert their facilities from war use to peace use and in order to maintain employment."

Here was proof of understanding on the part of organized labor's spokesmen that for prosperity we need not only freedom but freedom plus capital. Unless there is the capital to create jobs and the freedom to do so, both management and labor must become wards of government. It is this interdependence of all the elements of our economic society that I should like, above all else, to emphasize. We are all capitalists and we all have a stake in its most effective and productive operation. To cite Justice Brandeis again:

"The one final way in which we can improve the condition of the worker is to produce more, in order that there may be more to divide."

This saying will hold just as true if we substitute the word "owner" or "manager" for "worker." No one can get a larger slice if there is no cake to be cut. Collective bargaining and legal provisions are necessary to assure a just and practical division of the cake, but nothing is accomplished by letting the oven go cold and the dough go stale and sour.

3

I have said that capital, like labor, is not abolished with the end of the capitalist system. Its use and control are merely altered.

One dictionary definition of capital is "Wealth employed in or available for production." That wealth can be in private hands; in America it is in the hands of literally tens of millions. The number of shareholders in the United States, according to a

Treasury report, increased from 4,400,000 in 1900 to 26,000,000 in 1937, and that is only one form of wealth control. Or the wealth can be in the sole possession of the government, as in Russia. An infinite variety of divisions, part private and part government, is conceivable.

From this point of view capitalism needs some clearer definitions. Extreme totalitarian nations have been called "state capitalist" societies. Some countries, Sweden, for example, have succeeded in combining free enterprise with a large degree of co-operative enterprise in which the government has no part, as well as public ownership of certain utilities and services. In short, capitalism can be of various kinds.

From a strictly economic vantage point there is some kind of capitalism everywhere. Russia has capitalism because there, too, money is gathered into capital funds and put into capital outlays for new factories, machines, etc. It is done by the state, by force, by arbitrary centralized decisions, but it is done. Then there is the capitalism of Germany and countries more or less on that fascist model. They differ from Russia and from one another in the amount of power which the state wields over capital investments.

I see three main capitalisms in the world.

There is the capitalism of the bureaucrats. I am against it in its extreme forms in the totalitarian countries. I am against it in its seedling growths in our own country.

Second, there is the capitalism of private monopoly and special privilege. I am against it wherever it seeks to control and to dominate. The fact that it is private gives us at least this advantage over state capitalism: the power of government can be used to curb its activities. But though it is private it is not private *enterprise*, since it prevents the unhampered flow of enterprise capital in a freely competitive market.

Finally, there is what I venture to call a people's capitalism. I come from it. I want to see it survive for every poor boy and girl in America after me. Not only survive, but triumph. I am

especially concerned with its survival because only America, I believe, can light the world toward an ultimate capitalism of everybody—a capitalism that is bound neither by government domination nor by private monopoly domination.

The essence of the capitalism of the bureaucrats, in the lands of the superstates, is that officials take the people's money and with it make themselves the only investing and managing capitalists. Thus every Russian business unit is owned by the state but also pays taxes to the state. These taxes are so high, and the administrative costs are so high, that they often double or even quadruple the prices on goods to the consumer. From taxes and profits the government obtains new capital which is invested in new business exactly as the bureaucrats please.

Additional capital is obtained by loans. Individual Russians receive wages, bonuses, even interest from the state. In percentages, the differences between the highest and lowest incomes are as great as in England or the United States. But Russians cannot invest these savings according to their own preference. They cannot risk them. Only the government takes risks. The individual can either spend his savings or return them to the government for investment as it prefers, by buying government bonds.

The same thing is true in Germany despite the outward forms of private enterprise. Germans with capital to risk might want to form a company to manufacture electric gadgets, because they believe that the consumers are eager to have these gadgets. But they cannot do so unless the government permits them. If the omnipotent state wants helicopters or something else, it will command accordingly. Though the mechanics are different, the content is the same: the bureaucrats are the sole investors.

Now tune Moscow and Berlin out for a moment and tune in Washington. You will hear our "government investment spenders." They say: "We believe that American private enterprise is drying up. You can no longer find enough outlets for investing your savings. So we are going to tax those savings out of you

and put the resultant billions of dollars into government investments which *we* choose."

No matter how such a proposal is disguised, it amounts to a variation on the theme of bureaucratic capitalism. Even calling it "economic democracy" does not change its anti-democratic essence. It is just another version of economic domination by a few.

When the domination is exercised by a few private companies and individuals, it is no sweeter. I am equally opposed to a capitalism that permits domination by private firms or corporations already established. This brand of monopolistic capitalism has long been gaining ground in some parts of Europe, especially in Britain. In America it has been under a legal ban since the Sherman Anti-trust Law was enacted in 1890.

Monopoly practices persist despite the law, just as other illegal practices in other areas of national life persist. Our court records provide indubitable proofs of the efforts of monopolistic business to suppress free enterprise in our free country. I believe that defenders of the capitalist system who close their eyes to such realities are defeating their own objectives. They are, in effect, offering the American people private domination in place of state domination, and are in truth enemies of private enterprise. The London *Economist*, referring to monopoly capitalist practices, calls them "a conspiracy of the inefficient."

I am not speaking against bigness. Some of the largest of our business organizations are the most democratic in their economic methods. They practice open competition and leave their respective industries open to all. Indeed, they often prosper by reason of this competition, which keeps them on the alert and prevents their bureaucratization.

How can any American businessman hope to rally the American people for free enterprise against government domination if he is himself trying to practice domination in some field of endeavor? Can he not see that the people may prefer domination by a government which they can at least hope to control

through election? Can he not see that monopolistic capitalism leads right to the capitalism of the bureaucrats?

There is only one capitalism that is proof against bureaucratic domination: A people's capitalism. It is the capitalism that requires a population with savings—capital—in their pockets; business opportunities wide open to all who wish to enter with their savings, even on the smallest scale; honest and unimpeded competition to bring prices lower, in order to increase the purchasing power, the savings, and the capital of the people.

A people's capitalism is what America has prospered on, though monopolistic interference has occasionally barred its path. A people's capitalism puts the total people first. It goes beyond the dictum "What's good for business is good for *you*." It knows an even better one: "What's good for the people is good for *business*."

A people's capitalism is various, flexible, highly adaptable. It is the essence of what we have called earlier the Middle Way. The only absolute it accepts is freedom. Within the frontiers of that absolute all things are relative, living, adjustable. It has room for businesses from the smallest to the largest, for co-operative enterprise on the part of farmers, small producers in industry, and consumers.

A people's capitalism such as I am describing may not be what some spokesmen of business have in mind, but it is what the average American has in mind when he speaks of free economy. It is the kind of capitalism equally distasteful to the statist, the super-planner, the socialist, and communist on one side, and the monopolist, the cartel builder, the financial imperialist on the other.

A people's capitalism, as I see it, welcomes unsubsidized co-operative agricultural societies which legitimately serve to protect adequate incomes for farmers. It welcomes labor unions which legitimately strive to protect adequate incomes for wage earners. It welcomes professional organizations, business and trade associations, or any other type of free and autonomous

organization. The freedom to combine, as Dr. Graham pointed out, is an essential democratic-capitalist value.

The people's capitalism thrives on its diversity of economic forms and undertakings. It rests, in the ultimate checkup, not on the prosperity of the state or the prosperity of a few business units, but on a prosperous people. Only an increasingly prosperous people can offer an increasing market for the products of labor and business. Only a prosperous people will create new capital for new enterprises.

The theory and practice of a people's capitalism are summed up in the idea that the broadest road toward more jobs is more job creators. In achieving its purposes it does not reject the help of government. There has never been a "neutral" government. Every government, by the things it does and the things it refrains from doing, helps *some* capitalism. Our own government has at times aided monopolistic capitalism and at other times bureaucratic capitalism. It can and should be encouraged to throw its weight on the side of the people's capitalism.

When the American government prevented our Western prairies from being turned into an area of great feudal landed estates on the Central and East European model, making it an area of small farms, it was promoting a people's capitalism. The instrumentality used was the Homestead Law. There is no reason why the Homestead principle should not be extended to other economic fields. In industry that means government action to stimulate new capital for new enterprise.

Never in American history has there been more need for government in the spirit of the Homestead Law. It can do for the frontiers of industry what was done for the physical land frontiers. Without that spirit there is the danger that America may come to be just another mendicant country, where citizens beg jobs and handouts from a powerful few at the top of the state or at the top of business. We can have too much top. We can have too much bottom. We never can have too much *middle*. And the main fact about a people's capitalism is that it expands

in the middle. It encourages people to have dollars, and to risk dollars. Its motive power is confidence and its atmosphere is freedom.

What we need is another Lincoln to hold up to those populations which are choosing only between plutocracy and bureaucracy the example of an economy of the people, by the people, for the people. That is the kind of economy in which every citizen has a direct stake.

CHAPTER IX

Our Contribution to Victory

An American writer recently quoted a British economist as saying to him:

"I don't care what you do in America after the war—high tariffs or low tariffs, much international trade or little—so long as you do one thing. So long as you keep prosperous. If you slide into deep depression, not only will you go down, but you will drag the whole world with you."

Whoever said it, the saying seems to me profoundly true. It is a rebuke to those in our midst who think they are making the whole world richer when they are merely scheming to make America poorer. I believe with all my heart and mind that a strong, prosperous, and above all truly free United States is essential to the health and peace of the whole world.

There is no imaginable road to global peace and economic improvement which does not pass through our country. Whether we like it or not, whether we approve it or not, it is our destiny to play the lead role in the great drama of postwar economic reconstruction. We cannot play it vigorously and effectively if we are weak at home and divided in our counsels; if we allow ourselves to grow flabby, fatalistic, and unambitious. We have attained that role by virtue of the American system of enterprise that made us strong. It would be sheer folly and a disservice to mankind at large if we choked off our strength at its source.

Many of us are familiar with the type of social worker who is so busy doing good to others that he neglects his own family.

That type seems to be appearing also in the domain of international effort. I for one distrust world planners who do not give sufficient thought to the happiness and prosperity of their own countries. There are men—honest, high-minded men—who think they are raising the living standards of the world when they only succeed in lowering the living standards in America.

They forget that we Americans have been able to make the magnificent contribution of our industrial genius toward winning the war precisely because we were rich, industrious, immensely productive, and economically free. We shall be able to weight the postwar scales in favor of peace and general well-being for the world as a whole only if we continue to preserve and fortify the economic system which gave us those capacities. To do otherwise would be to kill the roots which give life to the tree.

The initial victories of the Axis nations had caused men everywhere to wonder whether the totalitarian way of life was not, after all, the more efficient—whether it did not, after all, represent the “wave of the future.” Propaganda emanating from dictated countries insisted that the democracies were soft, stagnant, decadent, as contrasted with the streamlined, “young,” and passion-driven fascists.

We were impressed and some in our midst were terrified into self-deprecation and self-doubt by the Nazi “blitz” techniques—the abundance and high quality of their weapons, the perfection of their organization, the amazing sureness of their blows. We watched Germany’s vast and terrible machine of destruction in action and marveled that it had been built in only seven years. That industrial feat seemed epic, though we knew that it was accomplished by giving up butter for cannon, by enslaving capital and labor alike, by driving an entire nation with the flaming whips of propaganda and terror.

The stock of the democratic countries took a nose dive in popular opinion all over the world, not excepting our own country.

It should be recalled that even before the war a great many Americans who should have known better were attracted by the externals of the dictated nations. The fulsome praise which some of our industrialists, financiers, college presidents, and others voiced for Mussolini's government, and in a few cases even for Hitler's murder regime, makes strange and ironical reading in the light of current history.

How did it happen? At home these people were face to face with the confusions and doubts of a difficult economic period. At home they had to listen to endless complaints, discussions, disagreements. But in the lands of Mussolini and Hitler, by contrast, they observed a superficial unity, and they noted the absence of that cacophony of conflicting opinion typical of democracies. They failed to understand, of course, that the unity was maintained by the force of totalitarian propaganda and raw terror; and they failed to understand that the silence was the kind imposed by fear and enforced by arbitrary political police systems. Their bookkeeping systems, unfortunately, made no provision for such imponderables as freedom, decency, human dignity, in adding up the scores.

When Mussolini fell, the world became aware of the fact that his seemingly unified domain was in fact crawling with worms of discontent, despair, and hatred. Under the artificially smooth surface chaos has its abode. Already the same kind of crawling horrors are becoming visible through fissures in the surface unity in Nazi Germany. With Hitler's fall it will become clear to the world that he did not so much solve problems as drive them underground.

Nevertheless, faith in democratic life was badly shaken in the past decade or two. But today nearly everywhere such doubts have been stilled. They have been canceled out by the miracle of American production and organization, by the speed and effectiveness with which America mobilized its resources and rallied its spirit. Within a single year after our direct involvement in the war we were able to look down upon the Nazis'

seven-year marvel from the heights of our own truly extraordinary production records. In a single year our private economy attained a tempo of output that dwarfed that of the Germans and all their satellites put together, and brought the carmine of shame to the cheeks of those who had matched admiration for totalitarians with contempt for their own American society. What is more, we were able to do this without resort to blood-letting, persecutions, and the rest of the abominations familiar to superstate efficiency.

It is a fact—and one that has not received nearly the emphasis it deserves—that America has helped to restore the faith of mankind on all continents in political democracy and in free economic institutions. I can attest on the basis of my own wartime journeys into a number of foreign countries that abroad, even more than here at home, people are recognizing the advantages of the American type of voluntary co-operation over the totalitarian types of compulsory co-operation.

The admiration—yes, the awe—not so long ago reserved for the alleged efficiency of the planned and dictated nations has by this time been melted away in the fires of American foundries. History will record that in the hour of supreme challenge to civilization America's extraordinary productivity—the result of a society based on individual initiative and incentive enterprise—proved the all-important, the decisive, factor for victory. It was this factor that turned the scales in favor of humanity and against Axis barbarism.

2

Let us look briefly at that history-making American accomplishment.

We have mobilized and equipped ten million men for war, equipping them with the most advanced modern weapons, in the space of less than two years. The time element needs to be underscored. Germany, it should be remembered, had channeled

everything into military preparations for nearly seven years before it launched World War II; Russia had deprived itself of necessities, not to mention comforts, for nearly twenty years, so that it might divert all its energies and resources to military purposes. America, so far as the implements of war are concerned, started from scratch on the day when a program of Lend-Lease was decided upon.

Having withdrawn ten million men from our productive process, we have been able, notwithstanding, to gather and train the man power needed to equip and feed not only our own forces, but to help feed and equip all our allies. I shall not burden these pages with the familiar statistics of American Lend-Lease contributions to Great Britain, Russia, China, even Latin-American nations. On every battlefield of the globe American products have made up margins of shortage and tipped the scales of victory.

We have forgotten too soon the consternation with which the country at first confronted the colossal production job that faced us. The figures for airplanes and ships, tanks and guns announced by the Commander in Chief as "musts" were truly staggering, though soon they became minimums rather than maximums as goals were stepped up again and again. The consternation faded out as America buckled down to its job.

The War Production Board measures the progress of munitions output with the aid of a special index which takes into account planes, ships, tanks, guns, ammunition, and all campaign equipment, but does not include military construction work or industrial facilities created for munitions production. In the W.P.B. index 100 equals over-all munitions production for the month of November 1941, just before Pearl Harbor. Output under the defense program previously in effect had been raised from 23 in July 1940 to 50 in December 1940, and had passed 75 in September 1941.

The rate of production was more than doubled between November 1941 and March 1942, that is to say, in four months,

the index going from 100 to 213. By June 1942 the index stood at 309; by October 1942 it was 403; by March 1943, 530; and in October 1943, 614. The rate of production, in other words, increased sixfold in two years!

Yet enough margin of industrial capacity remained to keep civilian standards of living and consumption incomparably higher than in any other belligerent country and higher than most of the experts had thought possible. The aggregate of goods and services available to civilian consumers in 1943, indeed, was greater in value than in the first war year. Actually, the American standard of living has suffered very little. In a broad sense, we have both "bullets and butter."

Perhaps the most spectacular exemplification of the American productive system was provided by rubber. When the Japanese captured our Pacific Ocean rubber sources, it looked as if we had been stymied. Starting with nothing, however, we have brought into being the world's largest synthetic-rubber industry. Despite preliminary confusions and conflicting governmental authorities, private industry did the job. William M. Jeffers, the railroad president who was drafted from private business to head up the rubber effort, was able to announce in May 1943 that "industry, large and small, is meeting, exchanging information, and dividing up the work that must be done." By 1944, it was estimated, there would be no serious rubber problem, notwithstanding the rising demands for this product.

Only once in its history has the American automotive industry manufactured more than five million motor vehicles a year. Yet by 1943 the same industry was producing war materials the value of which was about three times as great as in that peak year.

Aviation is a super-drama that is being acted out in the Battle of Germany, the Battle of the Southwest Pacific, the Battle of China. But its "breeding place" is in continental United States. The President's first figure of 50,000 planes a year seemed far-fetched even to optimists. By the end of 1943 we were producing

more than 8,000 a month, or almost 100,000 a year. This despite the fact that mass-production methods applicable to other weapons could not as readily be applied in this field. Because the progress of air warfare was rapidly forcing us to revise or to scrap planes and to redesign others on more ambitious lines, the 100,000 figure does not begin to compass the amazing achievement of our aeronautical industry.

Shipbuilding was virtually at a standstill in the United States when the world was overwhelmed by war. But two years after Pearl Harbor ours was the most productive shipbuilding industry of all time as Burnham Finney put it. "Imagine being able to build a *Normandie*, giant of the seas, every two and a half days! That is what we are doing, in effect. That is what the merchant tonnage being put into service by private shipyards adds up to."

American shipyards had delivered nearly 18 million dead-weight tons of shipping between Pearl Harbor and the autumn of 1943. By January 1944 America had built in two years the equivalent of more than a third of all the ocean merchant marine tonnage in the world! In early 1942 schedules calling for Liberty ships in 105 days from keel-laying to delivery were received with justifiable skepticism. Yet the 79 Liberties delivered in the month of January 1943 by all yards averaged 52.6 days from keel-laying to delivery with steam up, ready to take on cargo. A 50 per cent average increase in shipbuilding capacity was gained simply through the fact that these ships had been on the construction ways only 40 days against the expected 60 days.

This pattern of supreme accomplishment is repeated consistently in every department of our economy. The machine-tool industry not only succeeded in taking care of the great conversion tasks at home, but made enormous contributions to the factories of Russia, England, India, Australia, Canada. Steelmaking was expanded rapidly to the point where more than half the steel of the entire world was being made in the United States. The steel industry rarely operated below 94 per cent of capacity

after Pearl Harbor and several months it worked at 100 per cent capacity. The 83 million tons produced in 1941 rose to 86 million tons in 1942, to 90 million tons in 1943.

Initial bottlenecks in raw materials like aluminum and magnesium were broken. In aluminum the growth reached 700 per cent. From less than 25 billion board feet in 1939, the lumber industry expanded to more than 36 billion feet in 1942. While there are natural limitations to the production of oil, annual outputs have grown from 1.2 billion barrels in 1939 to 1.5 billion in 1943. Despite strike interruptions, bituminous-coal output was expanded from 395 million tons in 1939 to 580 million tons in 1942; anthracite-coal production in the same period rose from 51 million tons to 60 million tons.

War commentators have often said that if the Axis could have foreseen and believed the magnitude of American productivity under pressure, it would have thought twice before setting out on its adventure of world conquest. Oliver Lyttelton, British Minister of Production, after taking a look at our country in the throes of its war effort, said: "If Hitler could see American industry at work he would quit now." In this technological age war has resolved itself in large measure into a gigantic contest in construction and manufacture. The dictators should have realized that in such a contest American supremacy was beyond doubt. When they discounted us as a "decadent democracy" they were in fact committing hara-kiri.

3

Immediately after the Japanese struck at America the United States Chamber of Commerce adopted a resolution which, I know, mirrored the grim determination of all groups in the country. It said in part:

"We are at war today with countries whose economy has long been geared to war. To wage this war most effectively, we must gear our entire economy to get maximum war production. That

must be accomplished at once, so as to win the war in the shortest possible time, in order to save lives, avoid a long, grueling war effort, and to prevent unnecessary waste of resources."

That challenge has been met. American business and industry and labor, reflecting the mentality of a peace-loving nation, had been completely geared to meet only civilian requirements. But being blessed with immense resources and know-how, we were able to turn overnight to the manufacture of the intricate machines of today's fast-moving mechanized warmaking.

Government necessarily assumed broad authority and has played a dominant part in the war production direction. It has had to control the flow of materials and exercise other economic powers which normally belong to private economy. Nevertheless, the imprint of private enterprise is deeply and decisively upon the war-production achievement. The success of the unprecedentedly huge undertaking has been dependent on the initiative, resourcefulness, and ability of private business. Even the government's part in the process has been in large part planned and supervised by men trained in private industry who brought the administrative skills and energies of free capitalism to their task.

Any attempt to interpret war production as a triumph for state operation must miscarry, since it is easy to show that private capitalism carried out the assignment *despite* the handicaps of many government policies curtailing private freedom of action, and *despite* myriad bureaucratic controls. Credit for the most astounding production job in all human history must go primarily to American capitalism.

The expansion achieved has been so tremendous that increased productive capacity in the United States will be greater by the end of the war than all the capacity destroyed in other countries, including Russia and Germany. In other words, the world's aggregate industrial and raw-materials potentials will be larger at the end of this war than at the beginning, notwithstanding the unprecedented demolition inflicted by mammoth war

machines. American economic genius, in turn the end product of an untrammelled private-enterprise society, explains this phenomenon.

Agriculture, no less than industry, took a heroic part in the national effort and proved the value of free farming. Because planes are more spectacular than potatoes, guns more dramatic than grain, the extraordinary achievement of the American farmers has received less than its due in appraisals of over-all war-time production. This achievement has often been concealed by the political rows around the food question in Washington, bewilderment and chaos around price controls and rationing, and unbridled prophecies of food disaster by badly informed experts. It is none the less real.

The 1943 crop, for instance, was the second largest in American history, despite all gloomy forecasts. The total food available, counting livestock and the crop, during the year was 5 per cent above 1942, which was itself the record year, and 32 per cent above the average for the last five prewar years, and fully 46 per cent higher than the peak in World War I. Providence was kind, providing great growing weather; but the spirit of the farmers made the most of the providential gift.

It is frequently forgotten that agriculture, too, was called upon to convert from peace to war crops, from peace to war acreage. In 1943 American farmers not only added ten million acres to cultivation, but shifted heroically from accustomed crops for which they had been prepared to urgently needed war crops. Peanuts, soybeans, flaxseed, and other products replaced familiar crops. The South shifted from cotton to poultry, dairy products, peanuts, potatoes, feed crops, etc. Its cotton acreage was the smallest in nearly fifty years.

Naturally, the consuming public experienced shortages of some foods and is likely to feel even greater pressures as the war proceeds. That, however, is *despite* the magnificent job done by America's free farmers. Considering that we are feeding, unstintingly, some ten million of our own armed forces,

millions of our Allied forces, at the same time sending huge food aid to the civilian population of Russia and other countries, the relative abundance at home is an amazing tribute to the fecundity of our soil and the productivity of our farmers.

It is hardly necessary to record that labor, likewise, did its share and more. Neither industry nor agriculture could function without the co-operation of labor. In mines, on farms, at factory benches, in transport services, in a hundred other branches of the national effort men and women whose muscle power and intelligence and skills represent the lifeblood of production gave without stint.

It is inevitable that the exceptions should receive more attention than the rules. Strikes have made headlines, the great abstention from strikes have not. Until June 1941, when our domestic communist suddenly turned "patriotic," the aviation and other war industries suffered serious interference with production through stoppages that were clearly more political than economic in origin. The change in communist tactics after Russia joined the struggle against the European end of the Axis and itself became a recipient of the products of American industry eliminated labor troubles from this ideological direction.

Since then there have been serious interruptions of work and threats of interruption. But it would be false to exaggerate these unfortunate episodes; quite as false as it would be to blame on all of management the isolated instances of war profiteering or other detrimental actions. The speed and size of the undertaking, the great sacrifices demanded at all levels in our population made difficulties unavoidable. I have myself been loudly critical at times of bureaucratic stupidity, of slow-ups caused by group self-interests, of failures to foresee and provide for emergencies. But at no time did we—or our foes—have any cause to under-rate our national economic might.

The expression of that might is the more remarkable when one considers that the great challenge came after a decade in which economic depression and maladjustment had, so to speak,

taken the starch out of the American system. At the time the supreme need for a supreme effort came, industry and agriculture alike were weakened by official restraints, lack of full public faith, and attacks that amounted almost to persecution. For years a premium had been put on quiescence rather than enterprise. Farmers had been paid for *not* planting; business had been discouraged from taking risks; savings had not been converted into risk capital; the mass of people had been taught increasingly to look to officialdom rather than to the natural economic processes for improvement in economic conditions.

Our economic system, called upon suddenly for the greatest exertion of its career, was consequently like an athlete long out of practice and rather uncertain whether the old magic of his strength and skill was still there. Small wonder that the great task was generally viewed at first with some skepticism. It was being tackled under the least propitious conditions. Its thoroughgoing success is thus an additional proof of the inexhaustible vitality of the American competitive economic system.

We are the greatest industrial nation on earth, possessing more of the resources, the technical skills, the plant capacity to produce war machines than all the Axis nations and the Axis-dominated areas put together. As a technician in one of our great plants said, when asked if he could construct an intricate item of war equipment, "Why not? It's a machine, isn't it?" Kaiser, Ford, Girdler, Sloan, Douglas, du Pont, Higgins—a mile-long list of individuals and companies could be made, each of them another symbol of the abilities, energies, and gigantic scale of capitalist America in full productive blast.

I sometimes fear that statistics conceal more than they reveal of the magnificent spectacle of a free America at work, with all throttles out. The human imagination cannot quite grasp the immensity of the phenomenon. Only a great poet, I suppose, could succeed in conveying the essence of this spectacle—which is also the essence of America's unique genius.

Yet it is this very genius which some would have us chain

in restrictions and strait-jacket in the name of planned "security." They forget that the challenge of the postwar years will be even greater than that of war. A devastated, half-starved, goods-hungry world will look to America for succor and reconstruction. Only if America is unhampered in the expression of its special economic character—if the incentives and mechanisms of private enterprise are given full scope to function—can it respond in adequate measure.

We should assuredly be playing a scurvy trick on the world, as well as upon ourselves, if in the process of fighting totalitarians we permitted America itself to become in any measure totalitarian. An America that is genuinely free, resourceful, progressive—the traditional America where the individual is the most important element in the social equation—will be a bastion of peace and a promise of prosperity for the rest of the world.

In so far as we cherish the things that have made us great and strong—our political freedoms, our high standards of life, our system of economic opportunity, our deep-rooted individualism—we are also making our greatest contribution to the rest of the world.

There are among us some—high-minded, perhaps, but angrily impatient—who rummage in the ideological debris of the totalitarians for new, magic formulas. They could search with more profit right here at home. They should be apprised that millions of earnest men the world over are today watching America, hoping to learn from us and to imitate us. So far as practical economic and political ideas and techniques are concerned, we are in the exporting rather than the importing business.

A healthy, democratic, self-reliant America, where the power is firmly held by the people and not relinquished to a superstate or self-perpetuating bureaucracy, can serve as a mighty force for peace and progress. Such a nation could not conceivably enter into bargains with fascist superstates. The very nature of our competitive economic society would tend to throw our weight, internationally, on the side of free seas and free skies

and free peoples. Our new readiness to collaborate with other nations to safeguard the peace of the world would in that case be an expression of strength and self-confidence, not of fear, weakness, or panic.

The American accomplishment in rescuing a distraught, despairing world by the strength of our economic system carries with it an implied promise to keep that system alive and in working order. We have, indeed, an obligation to ourselves, and to the world as well, to remain prosperous and to remain free.

Frontiers of Expansion

The great depression of the 1930s induced in the American people moods of self-doubt bordering on despair. It looked like the end of the world—the end of the rich, busy, confident, productive American world. Not progress but sheer animal survival emerged as a national ideal. Not opportunity, which is the dynamic element in human society, but security, which is its static element, ruled men's dreams.

The physical spectacle of want and idleness—silent factories, deserted stores, sealed-up mines, soup kitchens, and bread lines—was sad enough. Far more tragic was the moral spectacle: fear feeding upon itself and shrinking from every shadow. The kind of men who until then had bubbled over with self-assurance, who had made a kind of American religion out of their native optimism, suddenly lost their voices. They retreated into cobwebbed corners to wring their hands in futile inaction. When pried out of their hiding places, they muttered apologies for being alive and looked around anxiously for some Man on Horseback to save them.

These natural, pessimistic states of mind were deepened by defeatist preachments. There are fashions in points of view, just as there are fashions in hats and jewels, and the prevailing colors in the domain of ideas were dark, gloomy, pessimistic. The few who dared assert that America was not yet played out, that the future would be more fertile than the past, seemed unstylish interlopers.

Men of small faith and smaller imagination mistook temporary

troubles for permanent disasters. On this basis they proceeded to elaborate an almost scientific system of defeatist thought, defeatist government, defeatist economics. They said that the United States was hopelessly trapped in what they called a "mature economy." Our system of doing business was through, outmoded, washed up. It had stopped growing; more than that, it was already overgrown for its own good and must be cut down to more manageable measure.

Erudite sociologists, leaning heavily on Karl Marx, "proved" with rows of statistics that the lemon of American resources had been squeezed dry. Men in official policy-making positions made speeches and passed laws on the assumption that the problem was no longer to create more wealth but to distribute the available wealth; no longer to open up new fields, but to restrict, systematize, and administer fields opened in the past. Our President said in 1933:

"It seems to me that our physical economic plant will not expand in the future at the same rate in which it has expanded in the past. We may build more factories, but the fact remains that we have enough to supply all of our domestic needs, and more, if they are used. With these factories we can now make more shoes, more textiles, more steel, more radios, more automobiles, more of almost everything than we can use."

Reflecting this mood, reinforced by the advice of chronic and one might say professional pessimists around him, the President assured us that "our industrial plant is built," that "a mere builder of more industrial plants, a creator of more railroad systems, an organizer of more corporations, is as likely to be a danger as a help." Summing up the theory of completed growth and closed "frontiers," he declared:

"Our task is not new discovery or exploitation of natural resources or necessarily of producing more goods. It is the soberer, less dramatic business of administering resources and plants already in hand."

Thus what had always been the American system of economic

creation was dismissed and its place assigned to mere economic *administration*. The new rules of the game established through edicts and legislation were quite consistent with this new order of things. When there is no more room for expansion, no more need for progress, why encourage savings and capital investment?

It took a catastrophic war to awaken America from its defeatist lethargy. The needs suddenly became so colossal that available goods and plant seemed pathetically small and limited. Far from possessing "more of almost everything than we can use," we discovered that we had less of almost everything than we needed—too little plant capacity, too little oil, too little metals, virtually no rubber, inadequate man power, too little food. We had to take heroic measures to *restrict purchases* and repress appetites for goods, where we had thought our population sated and indifferent.

It took a great war to demonstrate to America that its creative forces, far from being exhausted, had scarcely been touched. The very officials who had repeatedly "proved" that the limits of the nation's productivity had been reached now set gigantic tasks and stood dumbfounded by the speed, the sureness, the efficiency with which these were carried out. It became manifest that immense untapped strength resided in our national muscles, our genius for mass output, our talents for "rationalization" of industrial processes, our resourcefulness in overcoming barriers.

America has only begun to understand its own productive capacities, and one of the most difficult problems of our future is to adjust our thinking to that capacity. Even in our most optimistic periods, it is now clear, we had underestimated our own abilities. In the last twenty years we have raised output per man-hour by about 40 per cent. More significantly, we have learned that this stepped-up production can be further enlarged as the workers themselves become aware that they have much to gain in the general avalanche of abundance. Under the impact of war demands we have found additional millions of capa-

ble working hands. We have found new materials and new uses for old materials, new fecundity in industrial branches thought sterile. We are only at the foothills of production, with mountains still to climb.

Our country has been roused out of its nightmare of despair. But remnants of the evil dream—amorphous fears and gnawing doubts—still cling to our minds. The theory of a “mature economy” continues to be preached, almost out of inertia, by influential leaders. They explain that the war proves nothing and that peace will find us again trapped in an overdeveloped and played-out economy.

They believe that opportunity for the private citizen to invest in new enterprises or in expanding old ones, thus creating new jobs, is over. Therefore, they warn us that when the war is ended we should not waste time patching up the existing “mature” system. Instead, they urge, we should set up a new system—one in which business might still be privately owned but wholly dependent on government for its capital, and the superstate will obtain funds through taxation and enlargement of public debt and will plan for industry and manage the carrying out of these plans.

I do not for a moment accept their view. I regard it as a hang-over of depression defeatism. Their words and warnings are but echoes of the nightmare. What the American people have done under the artificial impetus of a war challenge they can do again and do better under the living impetus of their determination for a more abundant existence for the whole nation.

The upsurge of energy, inventiveness, productivity evoked by an external enemy can and must be maintained for war against internal enemies such as poverty, low living standards, chronic unemployment. These are challenges as real as the Axis and can be met in the same spirit.

America is a wealthy nation enjoying unprecedented levels of comfort and leisure, of course, when contrasted with other countries, or when contrasted with its own past. But these things are

relative. We are still incredibly poor and shamefully backward when measured by the yardstick of our *unexploited possibilities*. The areas we have conquered, in the matter of living standards and general improvement, are pathetically small when compared with the uncharted spaces still to be conquered. The American people are well off from the vantage point of any European or Asiatic people. I submit, however, that they are far from well off from the vantage point of what we *could* produce and *could* consume.

I count among my friends some men and women whose living memories go back sixty or seventy years. I find it fascinating to listen as they recall how poor, difficult, and limited life used to be. The wealthiest lacked conveniences now enjoyed by the poorest. The luckiest enjoyed as luxuries what the masses now accept as necessities.

That is how our American civilization looks through the eyes of our grandparents. But I prefer to look at it through the eyes of our grandchildren. And of this I feel certain: that the abundance of today will seem narrow and unappetizing to them; that the level of leisure, comfort, and opportunity on which the American people now find themselves will seem depressed and primitive by comparison with the levels still to be attained.

At the heart of the pessimism of the "maturists" there is also the cankerworm of smugness. They dare prattle about our having enough productive plant to meet all needs when there is still so much suffering and poverty! Even in the prosperous year 1929 the Brookings Institution was able to report that "nearly six million families, or more than 21 per cent of the total, had incomes less than \$1,000."

But we do not need statistics to confirm what our own eyes witness: slums, substandard homes and diets, children deprived of the minimal conditions of civilized living, a thousand-and-one proofs that there is unlimited room for economic improvement.

There are, of course, two methods of appraising any society. One is to focus all attention on the "submerged tenth" or the

"ill-housed, ill-fed, underprivileged third," until we come to feel that we are plunged in poverty and horror. The other method is to emphasize the nine tenths who are *not* submerged—a percentage so much higher than that attained in any other place at any other time that it is truly sensational; to emphasize the two thirds who *are* well housed, well fed, and privileged beyond the dreams of former ages.

I certainly do not wish to join the ranks of those who focus attention only on shortcomings. But I do believe that we must correct them. As long as there are millions of American families existing on substandard levels, there are tasks to challenge our full energies as a nation. Not only must our whole population be brought above this subsistence line but the standards themselves must be raised. That, I say, is a challenge as grim as any war. We have what it takes to meet it.

2

Defeatism in the face of troubled times is not a new phenomenon. There are always people who want to tear down the house because the plumbing has gone wrong. Again and again, in American history, there were prophets of doom, so impressed with things accomplished that they could not summon the imaginative vitality to envision further accomplishment. Observing the extent to which new inventions, new materials, new methods had transformed their particular society, contrasting it with the backward past, they solemnly announced their conviction that America had "come of age" or reached its "final stage." They could not even imagine, let alone credit, the multitude of startling improvements and inventions that awaited them around the corner of history.

In 1886 the first United States Commissioner of Labor, Carroll D. Wright, in his annual report won himself future fame as a "maturist" with this kind of assertion:

"Industry has been enormously developed, cities have been

transformed, distances covered, and a new set of economic tools has been given in profusion to rich countries, and in more reasonable amounts to poorer ones. What is strictly necessary has been done oftentimes to superfluity. This full supply of economic tools to meet the wants of nearly all branches of commerce and industry is the most important factor in the present industrial depression. It is true that the discovery of new processes of manufacture will undoubtedly continue, and this will act as an ameliorating influence, but it will not leave room for a marked extension, such as has been witnessed during the last fifty years, or afford a remunerative employment of the vast amount of capital which has been created during that period. The market price of products will continue low, no matter what the cost of production may be. The day of large profits is probably past. There may be room for further intensive but not extensive development of industry in the present area of civilization."

An extraordinary statement? Yes indeed, now that we can read it in the perspective of time, aware that the country was then on the edge of fantastic expansion and enrichment. Yet it is no more extraordinary than scores of statements—some of them curiously similar to Commissioner Wright's in their very language—emanating from Washington in recent years. Then, as now, such statements represented a failure of the imagination, a slackening of the spirit of adventure, a hardening of the arteries through which dream stuff flows. They were *subjective*, not *objective*, economic judgments; that is to say, they mirrored the pessimism and fatigue of some men, not the deterioration of the American people and the American system as a whole.

The theorists of a "mature economy" argue thus: In the past America grew because we had a frontier that offered opportunity for expansion; because our population was growing rapidly through natural increase and immigration; and because science was producing great new inventions which provided almost unlimited opportunities for business, industry, and employment. Now, they contend, the frontier has vanished, our

population growth is slowing down, and there are in sight no significant new inventions such as the railroad or the automobile to achieve wide changes and expansion in industry.

Let us examine these contentions. Has the frontier really vanished?

In the early days our Census Bureau drew a line from north to south and called it the "frontier." All the territory to the east of this line was settled by more than two persons to the square mile; the land to the west was settled with two or fewer per square mile. Finally, the whole country had more than the two-per-square-mile minimum and the frontier was formally declared abolished.

That was in 1890, more than half a century ago. Yet in the years since then, the "frontierless" years, the United States has seen the most astounding growth in all history anywhere! How absurd, therefore, to say that we are stopped in our tracks because the frontier has vanished!

There is good reason for doubting the whole theory of frontier land as the chief source of American prosperity. The frontier, I am inclined to believe, was far more potent in forming American character and political institutions than in shaping American economy. The fact that a man could get land and a new start made him more independent; it broke down ancient class lines and nurtured our democracy. The fact that physical westward expansion called for the facing and overcoming of terrific odds—forests, deserts, Indians, swamps, disease—toughened the American human fiber.

The frontier developed our "pioneer" instincts and character and gave us the invaluable inner conviction that "everything is possible." I am the last man to discount the importance of the frontier. But we should be playing false to our pioneer ancestors and squandering their spiritual heritage if we let the image of a territorial frontier no longer with us blot out awareness of other, greater frontiers still with us—the frontiers of science, new industrial processes, new goals of general welfare.

The thing that made the frontier important in its day was the vast stretches of cheap land and undeveloped natural resources beyond the line. But those stretches are still there! The undeveloped resources are still there!

In the heart of that wide expanse beyond the old frontier are eleven states—Nevada, Wyoming, Arizona, Idaho, New Mexico, Utah, Montana, North Dakota, South Dakota, Colorado, and Oregon, comprising an area of 1,107,780 square miles—whose exploitation has scarcely been started. That region is about the size of India, where nearly 400 million people live; or of western Europe, where more than 250 million people live. Yet that frontier empire of ours has only 6,400,000 population—less than in the one city of New York. The European area averages 376 persons to the square miles; our frontier states average 5.8 persons.

True, there is plenty of desert space in these states, just as there are uninhabitable mountain areas in India and Europe. But these states also have vast, untouched tracts of fertile soil where wheat, corn, timber, fruit, and almost every growing thing could be raised in quantities sufficient to feed the whole nation. Montana has potential water power of 3,700,000 horsepower, only a sixth of which has been tapped. New Mexico has coal lands estimated to yield 192 billion tons. Our frontier empire contains nearly all the metals and fuels necessary for colossal growth.

This great undeveloped empire is not *necessary* for our future growth and expansion. Apart from it we have nearly 2,000,000 square miles of land containing only about eighty persons to the square mile. Moreover, the techniques of farming and industry alike—the productivity per man-hour on the soil and in the factory—have been enlarged to the point where every square acre can comfortably give home and sustenance to ten or twenty times as many inhabitants as it did a century ago. The defeatists who insist that one reason why we cannot grow any more—that we have achieved “maturity” and must henceforth decline—is because we have no place in which to grow simply don’t know what they are talking about.

Now consider the bogey of dwindling population growth—another of the reasons advanced to prove that American economic expansion is stymied.

Our population growth has been tapering off for eighty years. It reached its peak in 1860, when the increase for the preceding decade was 35.6 per cent. It declined gradually until 1930, when the ten-year growth was only 16.1 per cent. But all the time the rate of population growth was declining, our rate of industrial growth and our income per person were rising.

In the seventy-year period of 1860–1930 our population growth rate was cut in half, yet our per-capita income grew more than 400 per cent. What counts, after all, is not huge population but a nation's well-being per capita. Russia, China, and India as a whole are immensely wealthier than Switzerland, but the per-capita income of the average Swiss is many times that of the average Russian, Chinese, or Indian. Let us not forget that European countries which in normal times enjoy the highest income per person are Norway, Sweden, Holland, Belgium, and Switzerland, in all of which the rate of population growth is very small.

The whole population argument is fallacious. When millions of immigrants poured into the United States from Europe they were penniless, illiterate, and had extremely low standards of living. In the American atmosphere, under the dispensation of American capitalism and democracy, they blossomed into producers and consumers on high levels and became assets to America.

But it happens that we still have in this country millions of people, sunken in poverty, who can similarly be developed and turned into great national assets. They are people who will demand houses and food and clothes, necessities and luxuries, on an even greater scale than the poverty-ridden immigrants did. They might be described as our "internal immigrants." As a potential for production and consumption alike they constitute a complete answer to the population argument of the pessimists.

Poverty is one of the frontiers to be conquered. The job calls for pioneering valor, confidence, idealism, and intelligence. The whole country can be enriched in the process of lifting its lowliest economic segment to a higher level.

The third argument of the theorists of maturism, that science has lost its magic, is the least impressive of all. About one hundred and forty years ago a young English clergyman named Malthus figured out that, under conditions in his day, population was increasing far more rapidly than food supply. He reasoned, therefore, that an overcrowded world would soon be stricken by famine. But Malthus' dark prophecy turned to gibberish, because food production was soon raised by new machinery and farming methods, until its rate of increase far outstripped the rapid expansion of population. He had calculated on the basis of existing conditions, rather than conditions yet to be born—which is precisely what our current prophets of economic paralysis are doing.

Invention and scientific discovery are quite unpredictable. When Edison invented the incandescent lamp it had a glow at the base of the filament which burned out filaments and reduced the life of a bulb. Electrical researchers set to work to get rid of the glow. The by-product of that research was radio, and, flowing from that, the whole electronics industry.

When Malthus said man would starve he was unaware of the whole science of scientific fertilizers. A half century ago the problem of getting enough fertilizers, especially nitrogen, became acute. A Norwegian physicist, interested in the content of the sun's corona, made an experiment in which he put an electric arc in the center of a magnetic field. Had you asked him then, "Dr. Birkeland, what do you predict will happen?" he would have replied, "If it turns out right I will get an imitation of the sun's corona."

He set off the spark and produced a lot of gas that drove him from the room. He thereupon summoned a distinguished chemist, Dr. Eyde, who took one smell of the gas and exclaimed,

"Great Lord! You have a fortune. You have solved the problem of the century!" Birkeland had produced nitric acid literally out of thin air. His discovery led to the Birkeland-Eyde process for the fixation of nitrogen from the atmosphere. From it sprang a fertilizer industry which can turn out inexhaustible supplies.

As fast as such things are done, they are pronounced finished by the defeatists. In 1890 it was "authoritatively" said that the Edison lamp had reached its highest perfection because carbon filament could be developed no further and tungsten could never be drawn fine enough! In 1896 flying heavier-than-air machines was declared to be impossible, although we had already perfected the mechanism that would make flying possible: the electrically ignited combustion gas engine.

Science has barely touched its unbounded possibilities. When we had only a handful of research scientists in a few ill-equipped laboratories we produced what is the great world of technology of today. Now, with a thousand magnificently equipped laboratories and many thousands of scientists working in the fascinating quest of the illimitable unknown, it is folly to say that science and technology have matured.

3

Though we cannot predict new inventions, we can state facts about old ones as indications of what can be reasonably expected. In the 1920s our prosperity came from three established industries—building, electricity, and the automobile.

Building led in the amounts of new investment. Next came electricity—an industry that had been born but fifty years earlier. Many people thought that the automobile had reached its peak, but its real effects did not become manifest until the early 1920s. It subtly changed our civilization. Suburbs spread out around cities; new houses, schools, movie theaters, stores were built. Roads were laid in an intricate and marvelous network. Filling and service stations by the thousands sprang up all over the land.

Busses replaced trolleys. The gasoline industry and hundreds of others catering to the special needs of a world conditioned by the automobile came into being.

What made the automobile of our time possible? What brought its price down and thus converted a luxury into a necessity? The answer is: hundreds of other inventions in other industries—new steels, new methods of producing gasoline, improved tools and processes.

In 1920 it was said that the steel industry was "old," all built up. But where twenty years ago there were four or five kinds of steel, there are hundreds today. Almost the entire steel-producing plant that existed when the last war ended has been dismantled or abandoned. New mills and machines and processes involving vast investment have taken its place.

The natural-gas industry flamed up like a meteor just before the depression. Why? Because a great engineering laboratory discovered a method of making big pipes, twenty inches in diameter and sixty feet long, by means of an electric welding process, at a cost low enough to make long-distance piping of gas profitable.

Today there is no less promise of unprecedented growth in existing industries, let alone those that are certain to arise but which cannot as yet be discerned. Any number of books and articles have been composed attempting to visualize the world-to-be. They are all inspiring and make the pulse beat faster. They fire the imagination and whet the palate of curiosity, if nothing else, about the expansion to come. But the boldest flights of the most imaginative minds, we may be sure, must fail to embrace advances of which we have no inkling.

Housing, in its more modern forms, seems certain once more to provide economic impetus. After the last war we heard glamorous predictions for the future of the prefabricated house, manufactured at the factory, delivered to the purchaser, and assembled in a few days or even hours. They did not materialize.

One reason was that the manufactured house called for materials that did not as yet exist. That gap has been filled. Industry, old and new, is ready to provide an extraordinary variety of suitable materials: plywood, plastic, composition, stainless steels, light-weight alloys, glass derivatives, scores of other substances.

When this war ends we may expect to see a mushrooming of the prefabricated house industry, bringing unexampled comfort and elegance at prices within the reach of the masses. The new homes will be soundproof, verminproof, subject to periodical revision by removing or adding panels and sections. It will have new types of plumbing, heating, lighting; new surface effects, special hygienic properties built into windows, centralized vacuum-cleaning arrangements. It will be furnished and equipped with mechanical servants stemming from electronics; new methods of refrigeration, ventilation, garbage disposal, and air conditioning; furniture made of plastics, nylon, composition materials, embodying qualities never dreamed of in connection with household goods.

Aviation is another field wherein the potentials of expansion are so clear that the least imaginative are stirred by the perspective. The pressures of war have served to crowd decades of aeronautical invention and improvement into a few years. The developments now being applied to destructive purposes will surely be adapted to constructive peacetime purposes. Electronic devices today used to direct deadly fire, to detect approaching enemy planes, and to locate invisible targets will serve to make aerial driving safe and easy, and to make accidents in the skies less likely.

"Most Americans," writes Major Alexander P. de Seversky, the most broad-visioned of our aviation enthusiasts, "are aware, in a general way, that travel by air will become commonplace after this war—as commonplace as travel by automobile, train, or ocean liner. But only a few have as yet grasped the fact that their own lives will be deeply affected by this extension of everyday travel from the earth's surface to the limitless skies.

"What is it likely to mean to you, an average American? It will mean, ultimately, that you will own an air flivver, probably of the helicopter type, and will use it as a matter of routine, just as you used a car in the past. With its aid you may commute from a home several hundred miles from the big city as readily as you now commute from near-by suburbs. You will take week-end jaunts through areas now open to you only if you can afford a good, long vacation.

"It will mean that, right after the war, you can go to your local airport late any afternoon, board an airliner, and arrive the next day at destinations on the other side of the globe. India, China, Australia, Brazil, Africa, any point on the face of the planet will be little more than an overnight trip."¹

Great systems of passenger and freight service through the skies, millions of privately owned small planes of the wing or helicopter types, thousands of elaborate "air yachts" do not tell the whole story. For, as Major Seversky points out, the whole quality of modern life will be altered by the plane, precisely as a generation ago it was revolutionized by the motorcar. New industries deriving from aviation are certain to emerge, as well as an array of new trades, professions, and industries servicing aviation. The radius of suburban settlements around cities will be greatly enlarged by the speed of the commuting airplane, and that in turn will offer immense outlets for new business enterprise of a hundred kinds.

Aviation is in its infancy. We entered the war with plane engines of about 1,000 horsepower; engines of over 3,000 horsepower are already a reality, and even greater concentration of engine power is being obtained in the laboratory. In the last few years the mileage per pound of airplane gas has been more than doubled, and research in this field is only in its first stages. More efficient fuels, lighter materials in construction, lighter and more powerful engines—each of these things at once enlarges the range of the airplane and reduces its cost.

¹*The American Weekly*, August 29, 1943.

A great deal has been said and written about plastics, which also open up alluring horizons of industrial innovations and expansion, new opportunities for risk capital and dynamic brains. We have only begun to explore the frontiers not only of chemistry but of medicine, light metals, synthetics. Materials for new varieties of textiles—drawn from coal, air, natural gas, cellulose, casein, glass, soybeans, potato starch—are already available, and the area of growth is almost limitless.

Edible fats, I am informed, will be made from coal or petroleum. Foods will be processed electrically, with ultra-violet rays, to improve their flavor; health-giving ingredients will be artificially added to make familiar foods more nutritive. Incalculable improvements will be made in canning and preserving and distributing foods. And if, on the one hand, we shall convert wood and other raw materials into edibles, on the other we shall increasingly turn familiar farm products into industrial products. Chemurgy is the name applied to this new science of agricultural conversion which even now is providing the raw stuff for dozens of manufactured items. It adds a new dimension to opportunities in farming.

The new science of electronics, an extension of the miracles of radio and television, offers almost inexhaustible possibilities for business ventures. Among the devices now in use or foreseen for the immediate future are those measuring speeds of passing objects, matching color shades, controlling temperature and humidity, detecting flaws in metal surfaces, detecting smoke and gas, sorting and grading any number of objects, providing burglar alarms and signal systems, counting and other automatic calculations, fulfilling a long array of medical and diagnostic purposes—and that is no more than a starter.

I could fill many pages merely listing the industrial potentials already on view for those with eyes to see. But in the nature of the case they are slight compared with the potentials which are still below the surface of time, gestating, fermenting, instinct with growth and power. A single invention, a single idea, may

double and quadruple our sources of wealth, bringing abundance within the grasp of the many.

The war has brought into wider use the principle of "reactive propulsion" or the so-called rocket. It has been used to fire guns, to propel gliders, to give us an anti-tank "bazooka." Jet-propelled airplanes on the rocket principle are already in production in our own and other countries. Talk, as I have done, to scientists acquainted with the as-yet-undeveloped potentials of the rocket and suddenly your imagination is overwhelmed by its possibilities.

Talk to research chemists and you are thrilled by the same sense of the immensity of the unexplored now opening up to our view and our practical use. Vitamins, hormones, other ingredients and powers that will enlarge immeasurably the health and vitality of our own bodies, the productivity of livestock, are being explored.

We have all read of the "splitting of the atom," at last accomplished after years of trial and error. That science, however, is only in its infancy. The mind is staggered by contemplation of the power still locked away in the atom and the amazing uses to which it can and will be put. Electric power has already revolutionized existence for the multitudes. Atomic power will complete the process, dowering the humblest of human beings with total force available only to emperors and great conquerors in past epochs.

How silly to talk of maturity! We are only on the outer fringe of technological progress. Provided only that the free energies of free men are given the right of way, there is literally no limit to human achievement.

One of the pioneers of radio, David Sarnoff, was stating a truism—a truism that is ignored by the "maturists"—when he wrote recently:

"I believe that the realities of the years to come will outstrip the promises of the present day. There is fascination and inspiration in the possibilities ahead. Translated in terms of oppor-

tunities for the men and women who will be released from the armed services, as well as for the younger generation, this prospect of better things to come offers free rein to the pioneering spirit which is characteristic of the American system of private enterprise.

"I am aware of the social implications inherent in new developments such as are here indicated. Better 'gadgets' in themselves cannot make better lives. We shall have a better world only to the extent that our social thinking and social progress keep pace with the advance of the physical sciences.

"Herein lies the basic challenge of the postwar years. It is a challenge to the brains, the initiative, and the co-operation of government and industry, labor and management, religion and education. It is a challenge which must be answered, in a world at peace, by the minds and hearts of men of good will."²

I confess that I look forward to the years beyond this war with the relish and excitement of a young man starting out on the adventure of independent living. They will not be easy years. There will be tough problems to be solved, forests of troubles to be leveled, and jungles of mistaken ideas to be cut through. But the sheer adventure of tackling these tasks, as well as the rewards that it promises, is thoroughly exhilarating.

Ring out defeatism, ring out lugubrious philosophies of maturity, satiety, and senility! Ring in faith and self-confidence! America and defeat cannot be made to rhyme.

²*Industrial Science Looks Ahead*, published by R.C.A.

CHAPTER XI

When the War Is Over . . .

The Great Depression was to the body politic what a bad jungle fever would be to the body physical. When the crisis has been passed and convalescence is well in hand, weakness still remains—weakness and the haunting memories of pain and panic. Not only is the victim's strength impaired, not only is he "shaky," but his mental outlook is apt to be warped. He spends much time with doctors, and the avoidance of illness becomes a constant preoccupation. If he is not careful, he may slide into the slough of hypochondria.

Too much of America's thinking remains hypochondriac in temper. It is excessively conscious of threats to economic well-being, not sufficiently conscious and confident of its wellsprings of energy and achievement. It detects drafts and disease germs everywhere and prepares, in terms of security schemes and economic regimentation and extravagant promises of literal full employment, to wrap its economy in cotton wool against the winds of competitive realities.

No one objects to normal, intelligent precautions and safeguards. The problems facing our country when the war is over and industry is obliged to switch quickly to peacetime production will be many, complex, and difficult. Self-confident rhetoric, we may be sure, will not solve them. Private-enterprise slogans will not solve them. Intelligent and earnest planning *in a practical rather than doctrinaire spirit* on the part of management, labor, agriculture, and government is essential. Each of these elements in our society has a contribution to make; none must

be excluded from the process in deference to theory or prejudice; their respective contributions must be brought into sensible alignment.

It is not planning that some of us resent. What we object to is the dismal, beaten, fatalistic state of mind in which much of the planning is undertaken.

While acknowledging that many artificial measures for tiding over an exceptionally difficult crisis will be unavoidable, we reject the attempt, however well-meaning, permanently to *invalid the country* and to pension off its population. We know too well from the experience of other nations and the more limited experience of the New Deal epoch that a people dependent for its economic survival on the state, rather than on natural economic processes, is slated to lose its freedom and ultimately its security as well.

We consider it vital that the American people break its habit of reaching for the morphine of government paternalism every time their economic joints creak. We must distinguish between the aims that seemed desirable in the era of depression and economic stagnation and those required for an era of expansion and upsurge. We must, in short, cease to behave like chronic convalescents. This does not mean that we should abjure all medicines instantly and indiscriminately, of course, but that we should cease to regard them as our chief reliance.

As I have already indicated, there is nothing deleterious about the principle of social security *per se*. I am for it. Society's obligation to earmark a portion of its total wealth for the aged, the physically incapacitated, the temporarily unemployed is now generally accepted. It is one of the expressions of our more humanistic stage of civilization: in effect a recognition of the inherent worth of every individual and his God-given right to the minimal conditions of survival.

But there is, it seems to me, all the difference in the world between recognizing social security as an accessory element and raising it to the status of a supreme goal for the American

people. It's the difference between stocking your medicine chest with reliable remedies for an emergency and dosing yourself habitually with nostrums. It's the difference between a crutch for temporary use and a wooden leg.

The principle of sound insurance, after all, is to divert a reasonable portion of your surplus against a "rainy day." The kind of insurance that tends to kill off the surplus, that clogs the sources of earning power, is self-defeating.

What so many of our overzealous reformers fail to comprehend is that social insurance can be effective only in a normal, healthy, prospering society. To the extent that their plans undermine the economic vitality of the nation, they foredoom their own insurance and security schemes to bankruptcy. You can no more draw social benefits from a sluggish, moribund economy than you can draw human sympathy from a Storm Trooper. The provisions for a "rainy day" are meaningless except on the premise of long, lush periods of sunshine.

There are no magical formulas for economic well-being. Those who think otherwise belong in the same category with the crackpots of funny money. Social insurance is an empty and cruel promise if it squelches normal economic incentives, if it calls for taxation of the kind that smothers business enterprise and scares or destroys risk capital. In the final analysis social security must rest on uninhibited production. Artificial brakes on production in the name of social security are consequently a contradiction in terms.

The whole conception of economic security rests on a psychological error. People simply do not consider a minimum of food, clothing, and shelter "economic security"—except when they haven't got these things. Once they have them, then their idea of minimum security expands to include the movies, a radio, maybe a car. Indeed, as long as a lot of their neighbors have more, they will not consider themselves economically safe and satisfied.

Nothing any government can do, therefore, can give an entire

population a sense of economic security. If people really craved the kind of security which Utopians are talking about—subsistence-level food, clothes, and a roof—it has always been available in prison, yet no one fights to get into prison. They want more than the minimum, more than other people have, and along with it freedom—security of mind and spirit.

There can be no genuine social security without a system of unrestricted opportunity. Those who say that our millions of young men at the fronts want jobs when they come home are right as far as they go. But they do not go far enough. Beyond a job, beyond elementary animal security, our boys will want a chance to better themselves. I know this not only from the letters so many have written me, I know this to be true because they are *American* boys, dynamic, ambitious, unreconciled to the safety of pauperism and the security of handouts. They will want to feel that the sky's the limit on recognition of their personal abilities.

Necessary federal and state aid in the process of postwar adjustment must not be allowed to block from view the magnificent perspectives of incentive enterprise ahead of us. We simply cannot afford to dim our postwar sights by limiting their focus to social security. To persist in doing so would be to win a skirmish and lose a battle in the war on totalitarianism.

The chance that our returning soldiers merit is not just a job—that is only the beginning—but a clear, fair road for a clean, fair race. A lot has been said about the fact that our ancestors came to America, whether in the *Mayflower* or in steerage, to seek freedom of worship; not enough about their search for freedom of opportunity. That freedom is crucial in American life. To curtail it is to change the substance of our nation.

2

In pointing to breath-taking horizons of invention and change, in the preceding chapter, I was not indulging in popular-science fancies for their own sake. I wished to heighten the awareness

of production possibilities, business opportunities, new wealth, new rewards, new spurs to hazardous enterprise that loom ahead of us if only we open wide the floodgates of American competitive economy. For all of us there is blood-stirring economic adventure, the lift of sowing and the thrill of reaping. Sitting anxiously on one's possessions or holding on timorously to the government's apron strings is not in the American tradition. It goes against our natural grain.

Without for a moment underrating the negative and restrictive factors, I would like to quicken our thinking on at least six great postwar potentials which, if properly and boldly utilized, should ease the transition from war to peace. Each of them should nourish peacetime production and create employment opportunities; all together provide the background for a new prosperity. Indeed, they involve the danger of runaway prosperity of a kind which business, labor, and government alike must seek to avert.

These are the six potentials:

1. *We will have the greatest plant capacity in our history.*

Most of this plant will be modern, constructed to house assembly lines, equipped to handle up-to-the-minute mass-production techniques, planned for the greater safety, health, and comfort of its workers. True, a large segment will require conversion, or reconversion, to peacetime purposes. Our recent experience in gearing for war production will stand us in good stead in this connection. Intelligent and farsighted business leaders in many fields are already planning for the new scheme of things. The superstition that business is opposed to planning as such is nonsensical. It is only opposed to the kind of unwieldy, bureaucratic, theoretical planning which jams the flow of economic progress. Anyone who has ever sat in on a production or marketing conference knows that planning is second nature to American business. We have at our disposal an immense capacity for the production of new wealth and should begin now to plan for its fullest utilization.

2. *We will have greater sources of raw materials, natural and synthetic, than we have ever had in the past.*

I have already touched upon some of these new resources ready at hand for fabrication into thousands of old and new types of goods: plastics, synthetics, compositions in endless variety; cellulose, chemical derivatives, hitherto untapped "mines" in the earth, the seas, the air. A new America—as different from present-day America as that, in turn, is different from the America of fifty years ago—is implicit in the new profusion and understanding of magnesium, aluminum, copper, and light stainless steels. New sources of materials will mean cheaper electricity, lower-priced houses, unparalleled abundance—provided it is permitted to flow freely through the channels of competitive business.

3. *We will have the greatest number of skilled mechanics and technicians ever available to any nation.*

It has been said that we Americans are children of the machine age. The intricacies of a technological civilization are as open to us as the intricacies of the jungle are to jungle people. We drive cars and operate mechanical gadgets almost as naturally as we breathe and walk. That is why it has been relatively easy to take millions of men—and women—from other tasks and from idleness and turn them into skilled machine workers. The percentage of Americans with specialized skills—mechanics, chemists, engineers, architects, etc.—is greater than at any time in our past, as a direct consequence of the intense war effort. Our national production per man-hour has been growing for generations; the output by the average worker per hour has *tripled* since 1900. If the rate of increase in the productivity of the individual is maintained, it will be vastly increased again in the next twenty-five or thirty years. In any case, the end of the war will find us with an extraordinary volume and variety of skills to be invested in America's renovation and expansion.

4. *We will have a tremendous backlog of accumulated demands for all types of commodities.*

Look in your kitchen and garage and this fact becomes apparent. A colossal amount of residential and business housing has been postponed for the duration. Vital improvements await the day of peace. Automobiles, furnaces, electrical appliances, home furnishings, radios, refrigerators, literally thousands of items on which production has been restricted or entirely stopped will be called for loudly and lustily. Natural consumer demand will be released from the bondage of priorities, its appetites sharpened by self-denial.

5. *The people will have accumulated unprecedentedly large savings with which to satisfy their deferred demands.*

When the war has lasted beyond the summer of 1944, there will be in our country some 110 billion dollars of savings. I know from a personal survey in my own plants, among typical Americans, that the people of our country are saving money to an extent hitherto unknown. Men and women who in the past were chronically in debt, who mortgaged their earnings far ahead by installment buying, now have cash and war bonds on tap. This adds up to buying power to match the plant, the materials, the skills.

6. *An economic vacuum will exist in most of the nations of the world, and it is an immutable law of nature that a vacuum must be filled.*

Reconstruction in the devastated, bomb-wrecked countries of this planet will require the services of thousands of our technicians and will draw on the productive energies of America. There will be an enormous demand for American machine tools and for raw materials, natural or fabricated, available in the necessary quantities only in the United States. Taken together, the war-wrecked world represents a construction job to challenge the best energies of dynamic Americans. There are, of course, political aspects to this foreign potential, problems of *exchange* of goods and services, which must be solved. But the potential is there for our intelligent use in the postwar period.

3

Whether these potentials become pillars of strength or sources of economic embarrassment depends on our clear vision, unblurred thinking, and courage as a nation. It depends on our readiness to follow the middle way and to work together from the largest possible areas of agreement.

Production, and only production, can absorb these incalculable plant capacities, savings, skills, consumer demands. Not just work, but production—the kind of work that creates wealth and surplus capital to be plowed back into the productive process. Common sense dictates that artificial barriers to full production be removed. The economic environment must be made conducive to investment, to chance-taking, to expansion. The prospect of gain must be made perceptibly larger than the prospect of loss. The penalties now imposed on profitable business—penalties that big businesses, with established plant and markets, can somehow absorb but which are fatal to most new and small enterprises—must be removed. Wartime controls must be gradually loosened, depression-made restrictions must be systematically released.

It is self-evident that many of the controls will have to be carried over into the postwar period, to avoid the stress of a too abrupt change-over. Discretion cannot be tossed out of the window in compliance with doctrinaire free-enterprise theory. In this, as in all things, we must guard against the dangers of absolutist thinking, of putting theory above fact.

Americans must not become slaves of any ideology—not even the ideology of free capitalism. The techniques of capitalism are tools to be used, not fetishes to be worshiped. The freeing of private enterprise from war and depression fetters must be rapid and thorough, but ordered and sensible.

Within the limits of common sense, government must remove its authority and help create an atmosphere helpful to

the healthy, natural operation of the capitalist system. Business and labor, on their part, must make sure that there is no stratification, no barrier of class or calling to prevent any American from achieving his full economic stature. They must do nothing to congeal the social and economic fluidity which is one of the principal fountainheads of our vigor as a nation.

From my sojourn in the Orient I recall the old Chinese word for "crisis." It is written in two characters. One means "ordeal," the other "opportunity." The postwar crisis, it is already obvious, will be compounded of serious ordeals and great opportunities. In underscoring the potentials for prosperity I am not unmindful of the difficulties.

The number of people who will be affected by the shift from war to peace employment will depend on how soon the war ends and other factors. The rate at which millions will be released from military service and from war industries will be directly affected also by many political considerations, such as the decisions reached at armistice and peace conferences. Much will depend on how effectively some of the war production can be tapered off in favor of civilian production after the peak of the military effort has been rounded; and upon the foresight with which retooling for peacetime is begun even in the midst of the war effort.

But all in all, it is possible to estimate very roughly, that some twenty million will be involved in the change-over: half of them in the armed services, the rest in industry. Many will go back to old jobs, a large proportion will be absorbed immediately by new peace production, at least several million will return to household tasks from which they were summoned by the national emergency. But no matter how the figures are weighted with optimism, it must be assumed that many millions of workers will have to be helped in the crucial and dangerous period of adjustment.

We need only recall what ten million unemployed meant in the early 1930s to recognize the magnitude of this challenge.

It should give pause to the kind of bitter-end capitalist thinking which rejects public works or any other government assistance even as stop-gap and emergency procedures. Theirs is the *laissez-faire* attitude which would cut off its nose to spite its face. They should be reminded that the one thing, more than any other, which might doom capitalism and rivet a bureaucratic slave state on us forever is mass unemployment. Widespread idleness and its discontents might readily accomplish what the theorists and agitators of the collectivist state could not achieve.

It is both unjust and unscientific to test any institution by subjecting it to extreme and abnormal strains. The strongest metal will give way under excessive weight. The fact that the human body cannot survive in the rarefied stratosphere or in extreme heat or cold without artificial aids does not disprove its wonderful fitness and adaptability under more or less normal conditions. By this logic, the postwar period, with its monumental problems—products of a Great Depression telescoped into a Great War—cannot be considered an equitable or decisive test of capitalism. Those who insist on restoring the free-enterprise system in full and immediately are allowing their zeal to spoil their sense of realism.

Government is more gigantic today than ever before in American history. To the multitude of economic functions put into its care before the war has been added a vast array made necessary by war. The American state is today the largest business undertaking in the world, not only controlling huge pyramided corporations directly but holding a dominant position in endless privately owned corporations and businesses.

To suppose that this elephantine economic structure can be dismantled overnight—or to suppose that this *should* be done—is pure illusion. The shock to the body politic would be much too great. The liquidation of our swollen government-in-business must be planned, careful, intelligently paced.

Meanwhile many of its existing mechanisms of social control must be utilized to cushion the transition from a war to a peace economy. Non-competitive but useful public works, a graduated system of financial aid to demobilized soldiers and demobilized war workers, a plan for the rehabilitation of war-shattered veterans to resume productive employment, sharply revised price controls to curb inflation—these are clearly a few of the functions that fall to government.

None of this, however, relieves management of the obligation to do its full share to provide maximum employment. Indeed, the extent to which it can and will do so will, in the final checkup, determine the tempo and thoroughness with which official controls and interferences can be abolished. The government, at its end, must provide as far as possible the basic conditions that will make job-creating investment possible and attractive. That, it seems to me, is the primary test in deciding whether a given governmental control shall be continued for a while or stopped at the moment the war is won.

The first major restraint on risk-taking which government must eliminate is the uncertainty introduced by hostile and unpredictable official actions—by the kind of administrative edicts which have increasingly taken the place of constitutional law. Like nearly all other businessmen, I am convinced that the hope for economic revival and expansion is limited if not impossible as long as that state of affairs continues.

"Every investment is an exercise in forecasting," Emerson P. Schmidt has pointed out.¹ "But how is the risk-taker to forecast when arbitrary officials can kick his calculations into a heap of rubble? How is he to husband profits for reinvestment with a hope of making up for original investment and initial losses when profits may be confiscated and accumulation penalized?"

It is necessary, he adds, "to create those conditions which are essential to a high birth rate and a high survival rate of new

¹*The Problem of Business Incentives*, by Emerson P. Schmidt, published by the United States Chamber of Commerce.

enterprises. Even in prosperous times a high proportion of new businesses fail; our problem is to enable more of them to survive." What are those essential conditions? Most of them are self-evident, at least to anyone who has faced the decision: to invest or not to invest, to hazard capital or to let it lie fallow.

We must restore to business its sense of stability. The function of lawmaking, now spread through dozens of bureaus and agencies, must be returned to Congress and exercised in conformity with constitutional limitations. Only then will the average investor feel reasonably certain that his plans and expectations will not be suddenly upset by some bright official notion. To quote Mr. Schmidt again:

"Can we conscientiously urge investors to provide new job-creating facilities and then a few months later have the government subsidize competition or go into competitive production itself? Can we with reason urge new investment and then set up controls and regulation, or labor and other public policies which must destroy the earning possibilities of such investment? These are issues which must be settled with some degree of certainty before we can expect effective and courageous post-war planning by investors and businessmen."

4

Elimination of bureaucratic interferences is a primary condition for unfreezing risk capital and inducing investment, which in turn represents the chief hope for "full employment" after the war. But it is only one of many conditions. Every student of the situation makes his own list. One of the tersest and, it seems to me, most cogent was drawn recently by Professor Neil H. Jacoby of the University of Chicago, who said:

"Among the many factors that have haltered the private risk-taking system, three seem to have been crucial in importance:

"First, an unnecessary increase in the risk—that is, the uncertainty of enterprises resulting from the instability of legisla-

tion and the delegation by Congress of many powers of government to administrative agencies.

"*Second*, an undesirable increase in the risk and a reduction in the reward of establishing *new* businesses, stemming from the growth of monopoly in the economic system, most important of which have been internal and international restraints on trade.

"*Third*, a sharp reduction in the rewards of risk-taking, caused by a system of taxation that penalizes risk.

"If, then, the restoration of a vigorous and long-lived private risk-taking system is desired, we must focus postwar reform upon stabilization of law, elimination of monopoly, and revision of taxation. If the nation can agree on the objective, and can concentrate attention on the few critical obstacles, there is a chance of achieving the goal.

"Specifically, the 'rules of the game' under which private enterprise goes forward must be established after the war. The inherent risks of business are large enough without unnecessary doubt concerning the future legal framework. To Congress should be restored the power to define these 'rules of the game.'"

To Professor Jacoby's summation I would add one more condition pertinent, maybe even decisive, in releasing the energies of dynamic capitalism. It is the condition implicit in the whole thesis of this book: *co-operation*. Its alternative is social and industrial strife.

If class warfare is allowed to develop, neither official nor private planning can avert disaster in the postwar period. The only chance we have of making the transition from war to peace with unimpaired vitality and without crippling the American economic system is by working together. The attempt by any element in the complex American society—capital, labor, agriculture—to get all the traffic will bear can only result in stalling that traffic. If ever there was a moment when the celebrated American common sense, our boasted empiricism, should be brought into play it is the moment of demobilization.

Just as business requires a sense of stability in the matter of law, it requires it in the matter of labor. If investors and business planners cannot forecast under the threat of official edicts and confiscatory taxation, neither can they do so under the threat of labor edicts and excessive trade-union demands. In estimating the survival chances of a new job-making venture, labor costs necessarily figure as an essential bookkeeping item, very much like the cost of materials, advertising, distribution, plant upkeep, and the rest.

I shall deal in more detail with the labor factor, as well as with monopoly and taxation, as we proceed. But here let me inject a realistic note on the whole subject of "full employment." The use of the phrase has been rather loose and indiscriminate. It calls for some definition, if only because it packs a promise impossible of complete fulfillment. The phrase is so glamorous that few of us have resisted the temptation to use it, but I want to make it clear that in speaking of "full employment" I mean the maximum possible, rather than 100 per cent employment.

We must face the fact that only prison and prison societies are able to provide full employment in the literal sense of the words. Slaves have never been in danger of remaining unemployed. They might be underfed and underclothed but never underworked. When there is not enough productive labor to keep them busy, they can always be set to building pyramids for the greater glory of their masters.

And the subjects of a modern totalitarian state, by the same token, are rarely in danger of unemployment. Their master, the superstate, can *invent* work to keep them busy. Since their labor power can be exploited ruthlessly, on a bread-and-water diet if necessary, in labor camps if necessary, they are usually sure of keeping busy. Countries in time of war, too, are able to offer full employment, but again by approximating the totalitarian state and accepting for the duration types of "discipline" and dictatorship that would be rejected in normal times.

Any people willing to pay the price—in freedoms, self-respect, and standards of living—can buy literal full employment. The American people can have it for the asking. But I do not believe they are prepared to pay that price. I am convinced that they prefer to take their chances, along with management and agriculture, in a free economy. They do so fully aware that a free economy is a fluctuating economy, with peaks and slumps in employment.

I believe Americans will insist increasingly on making the process as painless as possible, through insurance and other types of social security. They will insist increasingly that management and labor unions, separately and together, strive to forestall sudden slumps by planning ahead, by curbing the kind of dog-eat-dog competition and fevered finance which breed depressions. But they will recognize at the same time that capitalism is not merely a profit system but a profit-*and-loss* system, in which the enterpriser and the laborer alike take risks.

The truth is that we cannot achieve permanent 100 per cent employment without destroying the flexibility of our competitive setup. As long as capitalism retains its resiliency, its give-and-take, its urge to abandon old methods and products for new ones, we shall have ups and downs in employment.

We might, by legislation or trade-union coercion, force business organizations and manufacturing plants to maintain full pay rolls the year round regardless of their financial position. But that would only make business failure, which is always a possibility, a certainty. And once the business has failed, not only are its pay rolls voided but the hope that they might be revived is gone forever.

Even in the most prosperous periods there have been a few million unemployed. Even in the most prosperous industries there are likely to be seasonal types of employment which leave part of their workers without work part of the time. When some product is forced off the market by a competing product, or when it falls into disuse through a change in public taste, it

means that both management and employees are left high and dry. The total number of workers holding jobs may be unaffected, or may even be enlarged. The total volume of business and profit, too, may be enlarged. But a lot of specific, unstatistical Smiths and Browns in overalls and in white collars must accommodate themselves to a new condition. Talking about full employment is so much whistling in the dark under such circumstances.

Besides, it is in the very nature of technological progress to make some jobs and skills obsolete, while creating new jobs and a demand for new skills. This process of change is a sign of economic health and vigor, despite the fact that it causes employment bottlenecks in the affected areas of economic life.

The coming of the automobile spelled unemployment to carriage and harness makers, blacksmiths, and a lot of other trades. Yet no technological advance of our epoch has provided so much new employment in automobile plants, road building, the petroleum industry, servicing establishments, and scores of other callings. The same pattern of unemployment and re-employment holds true for nearly every industrial advance in the past. It will apply no less in the future. The only alternative, short of regimentation under a superstate, would be to freeze progress and stagnate economy.

The advent of radio, bringing music into every American home, made some thousands of musicians jobless. But it created work for thousands of other musicians, singers, entertainers, advertisers. It marked the emergence of new industries employing a hundred times as many people as were temporarily displaced. Jobs were created in building radio sets, phonographs, juke boxes; in making and distributing records; in servicing radio stations and receivers. The attempt of displaced musicians to tax the new industry permanently is certain ultimately to fail, because it runs counter to the natural laws of technological change.

Would it have made sense for the rubber-tire industry to subsidize former harness makers forever? For automotive busi-

nesses to support obsolete carriage construction firms? For the business machine industry to take care of unemployed book-keepers?

Freedom from want is basic in the American dream. No other country in history has come so far toward achieving this goal. But in the final analysis that freedom depends on the healthy functioning and continuous growth of our productive processes. To kill off technological progress, to stymie invention and new efficiencies by making them economically hazardous, is really to increase rather than erase want.

Industry and commerce, too, suffer growing pains. But surely no one wants to have them artificially stunted and retarded. Maladjustments in terms of crises in employment, business failures, elimination of the unfit in management and in labor, reconditioning of capital and labor alike to meet new, bigger, more lucrative, and more socially useful tasks—these are inherent in the people's capitalism which is the foundation of a free America.


"Mass unemployment constitutes an economic and social problem of great importance," Dr. Wriston writes. "It must, and can, be met. By developing mobility of skills to match technological change, by insurance payments during the change-over, by many other means the harsh impact of technological progress and cyclical sags can be cushioned. But to lurch to the utter extreme of 'full employment' is not to make a realistic attack upon a serious issue; it misstates the problem in such terms that it becomes insoluble without destroying both free enterprise and democracy. We can make progress toward better situations only by more careful definitions of critical issues, not by escapist slogans that are certain to destroy the very institutions we profess to defend."²

Dr. Wriston draws attention to a remarkable fact: that the collectivist thinkers who are most emphatic in their assertions

²*Challenge to Freedom* by Henry M. Wriston. Quoted by permission of Harper Bros.

that government can provide full employment are the very ones who demand extensive unemployment insurance. They thus admit in effect that they do not really expect even their state-controlled economy to abolish unemployment entirely. They know in their hearts that, short of a totalitarian state, even government control cannot eliminate the maladjustments which throw masses of men out of jobs in the very act of putting other masses to work.

Full employment, it seems to me, is a desirable goal to shoot at, provided it is accepted as a relative rather than an absolute objective. Its accomplishment will not depend on slogans or even on good will, but on removing physical, political, and psychological obstacles to the free flow of enterprise capital. Reform of the tax system, prevention of monopoly practices, a more conducive climate for small businesses and new businesses regardless of their size, and a healthy, democratically run labor movement are essential for the maximum unfoldment of capitalism—and therefore for maximum employment.



CHAPTER XII

Big Business and Little Business

The American automobile industry stands as living proof and example of the vitality of free capitalism. It is undoubtedly Big Business. It has added its quota of multimillionaires to our democracy of wealth. Yet it has been almost immune to charges of "predatory monopoly."

Even among professional ranters against bigness in business, it has become customary to exempt automobiles. Its mass-production processes, the immensity of its output, the low level of its prices, the high level of its wages—all these things have combined to make the automotive industry almost a symbol of American economy to the whole world.

The reasons for this special status are not far to seek. Partly because of the good sense of its leaders, partly because of the accident of special conditions, the industry has not yielded to the temptations of monopoly practices. It has moved forward with long, bold strides because it has not been weighed down by the incubus of price agreements and restrictive market arrangements.

It has operated on a simple principle: to produce as many cars as possible, of as good quality as possible, as cheaply as possible. That happens to be the cornerstone principle in the house of free capitalism. The result has been that immense low-income classes of our population became car buyers; what might have remained (as in some other countries) a class product mushroomed into a mass product; instead of high profits on a small

turnover, the industry garnered low profits on a huge turnover. Notwithstanding the high cost of labor, American cars have had no trouble competing in the world market, even in countries where labor is the cheapest of all commodities.

The automobile industry has demonstrated the values of competitive capitalism at its best, which is to say its *freest*—capitalism unfettered by greed and unimpeded by special privilege. It has provided a pattern of healthy economy which other industries, new and old, must follow in the era of expansion that awaits us when the world is at peace again.

Not the least of the automotive industry's sources of strength is the fact that *it rests on a multitude of small businesses*. At one extreme it is the paramount example of mass production, requiring gigantic aggregates of machines and capital that add up to Big Business. At the other, it feeds into a great variety of distributive, service and sub-contracting enterprises, tens of thousands of them, that have provided outlets for the energies and investment funds of little men. This fine integration of big, medium-sized, and little enterprise, ranging from the tiny roadside service station to General Motors, has made possible the advantages of bigness and the resiliency of smallness in one beautifully balanced economic process.

Though this chapter is intended as a warning^a against monopoly as one of the chief enemies of a people's capitalism, it must begin, in ordinary justice, with a defense of Big Business. Not a whitewash but a defense.

Big Business is always a convenient bugaboo, especially useful in election campaigns. It is made to order for class-angle politicians. The very bigness of Big Business makes it an easy target and hence an almost irresistible goad to demagogic rhetoric. But a modicum of common sense must be brought to any discussion of Big Business.

Let us remember, to begin with, that there is no section of American society against which charges of exaggerated self-

interest, misuse of power, short-sighted policy, and plain blundering cannot be leveled with as much justice as—and sometimes more justice than—against Big Business. Organized labor, agriculture, small business, big government—which of them has not made mistakes comparable to those debited to Big Business? Yet it is Big Business that is, almost as a matter of course, singled out for verbal and legislative punishment.

The wild assaults, implying or asserting that Big Business alone or mainly is to blame for all our national and international headaches, are sheer rabble-rousing of a dangerous variety. By setting up an official villain and scapegoat, the real issues are sadly confused and the chances of solving real problems are badly spoiled. The savage medicine man sets up a symbol of disease and in belaboring it he thinks that he is curing the ailment. The political medicine man, in the same way, sets up Big Business as the symbol of economic trouble and thinks that in castigating it he is curing the trouble. The fact that the procedure is clothed in the phraseology of liberalism and humanitarianism does not change the medicine-man aspect of the matter.

Try a simple experiment on the next excited opponent of Big Business, whether he be a political bigwig or a street-corner orator. Ask him whether he would, if he could, *abolish* Big Business; whether he would split each of the great aviation and automotive organizations into a thousand small pieces; whether he would dismantle the American Tel. & Tel., General Electric, Radio Corporation, U.S. Steel, General Motors, or any others he can think of. If he says yes, pursue the matter further. Inquire whether he is willing to give up the cheap and abundant products, the efficient services, the scientific research, the higher wages, which are all self-evidently made possible by Big Business.

It will appear quickly enough that the political medicine men want to eat the cake of American large-scale productivity and distribution and to have it. They want the fruits of mass

production while destroying the roots of the great business aggregations which make mass production possible.

They are proud and even grateful for the miracle accomplished by American industry in the present war crisis. They will grant that American techniques of production and economic organization have made it possible to smother the Axis in an avalanche of American war goods, and that prodigal American wealth is the main hope for rescuing mankind from mass starvation and chaos in the postwar period. Yet they will spout nonsense about breaking up the gigantic forces that made such things possible.

The detractors of Big Business like to accuse its leaders of wishing to "turn back the clock of history." But the accusers themselves are guilty of clock-turning if they seriously desire to wipe out Big Business and restore more primitive types of economic life. Their thinking is the more reactionary because it is based on fantasy and Utopian self-delusion. The fact is that Big Business is an intrinsic expression of our technological times. It is the most highly developed in these United States because we have made ourselves the most technologically advanced nation in the world.

Big Business is not a primary cause but a result. It is not something tacked on to our way of life by a set of moneyed villains. It is bone of the bone and flesh of the flesh of our modern society. In the last analysis, an attack on Big Business—as distinct from justified criticism of specific practices or policies—is an attack on the American type of civilization. Bigness is in our nature. We have big buildings, big farms, big labor unions, big economic enterprises, and yes—big ideals.

One exceedingly curious paradox needs to be examined. Only a few crackpots think that mass-production industries and mass services can, at this stage in our economic evolution, be broken up. All other violent critics of Big Business, when pressed for an alternative, have to resort to government. Some of them, indeed, do not have to be pressed, since they frankly advocate

some brand or other of collectivism. *But state economy happens to be the biggest business aggregation of all, the monopoly idea carried to its ultimate.*

And therein lies the paradox. In their anger at Big Business, the critics seem willing, nay, eager, to swallow super-Big Business. In their hatred of monopoly they plump, of all things, for a single super-monopoly of all production and distribution administered by one group of omnipotent bureaucrats! We need only look at the absolute in Big Business as it has been working out in Germany or Russia to realize that there is no abuse ever charged against great corporations which is not practiced, with a vengeance and with total immunity, by the extreme in monopoly which is state capitalism or state socialism.

Big Business is subject to the curbs of government control, the brakes of public opinion, the limitations of law. But government-dominated economy is a law unto itself, since economic and political powers are in that case merged and inseparable. Imagine a great monopoly which in addition to taxing the people arbitrarily through fixed prices also could tax them to raise capital or to make up deficits. Imagine, in addition, that this monopoly possessed police, secret services, armies, and law courts to enforce its every whim. Then ask yourself: isn't that a strange cure for the evils of monopoly and Big Business under capitalism? It is, indeed, the kind of cure which can succeed only by killing the patient.

The confusion at the heart of collectivist thinking in our country, judging it by actions and rhetoric in Washington in recent years, is attested by the fact that the opponents of Big Business are the very ones who clamor for Bigger Business under government auspices. While declaiming their love for small enterprisers, they impose the kind of restraints and the kind of taxes that stifle small businesses at their inception. While demanding high-mindedly that we inundate the world with the products of American industry, they would destroy the Big Business activities which make those products possible.

Hundreds of thousands of small businessmen know from direct experience that their prosperity and their survival are tied up with healthy functioning of what is termed Big Business. Our mass-production industries have done more in a day to keep little business alive than all the legislative investigations and political ballyhoo in a year. There are scores of "big businesses" each of which has a thousand or more small outfits working at top speed to supply parts. This interaction is not temporary and not accidental; and it should be nurtured as a wholesome phase of our industrial setup.

Much of the indiscriminate resentment against Big Business, of course, derives from garden-variety human cussedness: from envy of success, from the need for a whipping boy. This streak in the old Adam has in recent years been deepened by propaganda. There was a time when the American people were more generous in the appraisal of economic achievement; the business "tycoon" might be an object of jealousy, but he was also an object of hero worship and emulation. The promoters of social strife, however, have in large measure succeeded in "smearing" economic accomplishment.

When a popular movie star or radio entertainer makes a million dollars, no one rises up to exclaim indignantly, "This man or woman is exploiting us! Think of the millions of underprivileged whose dimes and quarters made up that million! How unfair! Down with capitalism!" No one denies the right of a great surgeon to get rich on the basis of his God-given genius with a scalpel, or the right of a musical virtuoso to earn a fortune by his unique talents.

But that tolerance is often denied to a man whose exceptional abilities, frequently amounting to genius, are expressed in the field of invention, manufacture, finance, distribution of goods, economic organization. There are those who would even penalize and brand as anti-social the exceptional talents that create goods and services. Theirs is the philosophy that finds expression in the haphazard persecution of Big Business.

2

It is not bigness that must be curbed—that is impossible in our mass-production age even if it were desirable—but practices inimical to the functioning of a free economy.

In theory capitalism should provide maximum production at minimum cost, with the consumer as the final arbiter and main beneficiary of the process. In practice, unfortunately, capitalist techniques have too often been artificially distorted and blocked. The economic suffrage of the ultimate consumer has too often been denied through price fixing, restricted output, and other devices that are essentially *anti-capitalist* in their nature—devices that vitiate economic democracy at its fountainheads.

Those of us who are genuinely concerned about saving and improving the free enterprise civilization in the United States must make some things clear to ourselves. We cannot retain the advantages of a free economy without accepting the hazards of all-out competition. We cannot assure the growth and survival of big businesses without removing all obstructions to the natural unfoldment of small businesses. A forest that consists entirely of huge trees, without a lot of supple saplings springing up everywhere, is doomed to atrophy.

And when I say competition I mean competition. Not the token competition that manages to evade the anti-trust laws by the skin of its sharp teeth. Not the legalistic competition where one or two companies rule an entire industry behind closed economic gates but somehow live up to the letter of the law. I mean competition that is free in its spirit no less than in its outward forms.

We cannot enjoy the benefits of free enterprise but evade its challenges and its penalties.

As the automobile industry has proven, bigness and monopoly are not necessarily synonymous. That fact is the key to the whole riddle. There have been monopolistic practices by big

companies and by a host of small ones. Great size, it is true, has offered exceptional temptations and opportunities for monopoly practices, but only a few have succumbed to the temptations. In any case, it is the right of the consuming public to regulate the issue through appropriate legislation and by all other means at its disposal. It is to the larger interests of business itself that this right be exercised to the full.

Restrictive agreements on a national or international scale that stifle competition and punish the consumer must be made impossible. There is always the danger, of course, that overzealous officials may turn their powers of prosecution into instruments of persecution. Such excesses must be exposed and stopped, since in the long run they militate against real enforcement of law.

And business itself must show that it practices what it preaches. Its advocacy of a free economy will become meaningful when it co-operates in rooting out and destroying monopolistic tendencies.

Small and medium-sized businesses are the backbone of our people's capitalism. We must make it possible for them to exist and to grow. They cannot live if the weight and bulk of Big Business can be used to stunt or crush small competitors. Little business can meet the challenge of *stiff* competition, but it is helpless against *unfair* competition. The difference is crucial. The rules of the game have to be overhauled from time to time; foul decisions by the umpires tend to become new rules and can undermine the game itself.

The prevention of monopolistic practices is in line with what is bound to become the accepted policy of American economy—ever-lower units of profit and ever-higher volume of sales. The attempt to get the highest profit on any item is, at bottom, what leads to legal and illegal methods of restricting production and dividing markets. But that is the road to business stagnation. It is the road to unemployment.

It is not only the employer but the consumer who makes a job, and the one way to stimulate the consumer is to offer him more and better goods for the same number of dollars. Business, by increasing its efficiency, by the new methods which true competition inevitably evokes, can contribute its share to lowering prices and enlarging the number and the purchasing power of consumers.

In his recent autobiography Tom Girdler writes:

"In my time I've heard wails from 'natural cement rock' makers against the exact chemistry of the newer portland cement. I've heard lumbermen curse steel; steel curse concrete; and now I often listen to our own craft complain in blast-furnace words about the rivalry of tomorrow's plastics."

He puts his finger on one of the temptations to which I have alluded—the temptation to preserve old materials and products and processes by barring the road to newer, better, more popular ones. The community has every right to intercede to head off such interference with the natural evolution of our economic life. As a partisan of free enterprise I believe that patent laws should be revised to give the American people—and the American people's capitalism—their fair share of the benefits of invention and technological progress.

The postwar period will most likely present us with a test of our ability, as a nation, to prevent that hardening of the capitalist arteries called monopolization. From the vantage point of the vitality of our people's capitalism, demobilization will not be complete until abnormal and perhaps inevitable wartime advantages for Big Business have been liquidated.

3

The health and vigor of small businesses and new business are the real measure of our economic system, just as the health and vigor of its children are the real test of any society. We must demonstrate our faith in free economy by making it truly free,

and right of way for small enterprise is at the core of that freedom.

There is a widely held theory that small and medium-sized businesses are doomed, crowded already to within an inch of suffocation by their big competitors. The theory is so tenaciously imbedded in the public mind that it is not easily budged by mere facts. But it is fallacious all the same. Thousands of small businessmen have shown before the war and during the war that they can hold their own as against big competitors. As a matter of fact, the efficient small concern is often able to turn around faster, to duck blows so to speak, than the larger enterprise. It is more mobile, more adaptable.

In one of my own enterprises, in the electrical manufacturing field, I am competing against two of the ablest big business firms in the country—General Electric and Westinghouse. Yet I have been able to expand my business and to put ever more workers on my pay roll. Despite big competition—in some measure *because* of that competition—my small business was able to prosper to the point where, I suppose, it rates the designation of medium-sized.

This is not an exceptional fact. I know from direct evidence that it is typical. And it fortifies my faith in the small business as foundation of our people's capitalism.

The idea that the small entrepreneur is being crowded out has a long history. It reflects an idea held pretty generally in the middle of the last century and given "scientific" formulation by Karl Marx and Friedrich Engels. The belief was that the rich would become ever richer, the poor ever poorer, and that the in-between groups would gradually disappear. It turned out to be one of the central mistakes of the whole Marxist economic teaching.

The rich did get richer—but the poor got richer too. More important, the gradations between them have become increasingly numerous and extensive. Not big but middle-class enterprise became the backbone of capitalist society. By the test of

home ownership, the number of businesses, the number of shareholders in corporations or any other that is preferred, property is more widely held and the middle class is stronger today than in Marx's day.

It is desirable that this should so remain. From the most selfish angle of personal survival, big businessmen should wish to see a maximum dispersal of ownership and enterprise. The collectivists, more than anyone else, would like to see all American economic life concentrated in a few hands. According to standard socialist ideology, such concentration would simplify ultimate nationalization. As more than one socialist has told me, "it would then be just a matter of bookkeeping to transfer ownership to the people through their government."

There were those who feared that the war might inflict serious hurt upon small businesses. It was contended that big concerns were better geared for the prompt handling of war production, especially since costs were no longer an important consideration. Government officials, especially army and navy officers, showed a distinct preference for dealing with relatively few companies, to avoid the headaches of direct contact with a multitude of small concerns. It looked at the outset as if small business would be elbowed out of the way.

Yet the experience of actual production has emphasized the importance and adaptability of small business. Through the subcontracting policy, war production in actuality has been most widely distributed. A survey of 190 big companies having war contracts totaling 26 billion dollars in 1942 showed that more than 50 per cent of this aggregate was passed on to subcontractors. It was estimated that the number of subcontractors, vendors, and suppliers reached 140,000. Undoubtedly this figure contained some duplication, yet the total could not have been much below this number. A survey by the Chrysler organization showed 8,079 individual war subcontractors. Since 1,540 companies sold to Chrysler in peacetime, this meant a 425 per cent increase.

I should like to see the newer subcontracting techniques which have been so successfully developed under the pressure of the crisis not only carried over into the postwar period but greatly expanded. I would like to see every other healthy device for encouraging small business used without stint. Big Business is laboring in its own interests, in the final analysis, when it promotes the stability and prosperity of small business. The "big fellow" in business is really endangering his own welfare if he fails to be scrupulous in his practices, to avoid taking unfair trade advantages which might drive the "little fellow" out of business.

The allegations that small and medium-sized enterprisers—among whom I count myself—have some antipathy to Big Business is nonsense on the face of it. Every small businessman wants to grow bigger and ultimately to become a big businessman. To harbor antipathies toward one's own aspirations makes neither logic nor sense.

There is a small business problem; I am not minimizing the difficulties of the little man in a big world. But small business also enjoys certain advantages. Mass production is applicable only to a limited number of products. The greater number requires the variety and the direct adaptation to special needs that only comparatively small manufacturers can offer. For example, the entire consuming public may be willing to buy only a hundred copies of a particular hat, dress model, or display case.

It is a fact that small business has survived in the face of expanding big competition. Many a small store continues to meet the needs of its customers despite the presence of a large supermarket a few blocks away. In our complex society many factors enter into the buyer-seller relationship: location, convenience, the personality of the owner and his employees, the ability to cater to specialized tastes, etc.

Small business will continue to survive. But its problems are

serious and the public is becoming increasingly aroused to them. Instinctively Americans know that the doom of small business would be the doom of their cherished free economy. We can expect a great and more conscious effort to make life easier for the small enterpriser.

CHAPTER XIII

Taxes and Jobs

The proverb has it that there is nothing certain but death and taxes. So far as the capitalist system is concerned, unhappily, the two certainties have tended to merge into one. Which is no matter for alarm to those Americans who consider capitalism an outworn institution to be put out of its misery as quickly as possible. Many of them regard taxation as a convenient method for making an end of our free economy. But for the rest of our nation, taxes that kill business would be alarming in the extreme, if only people understood the process more clearly.

I feel that they should be informed, as simply and convincingly as possible, that if our tax system is allowed to remain at its present and recent confiscatory levels, American economy as we know it is condemned to death. A lot of existing enterprises would be slated for extinction, and, more important, the birth and growth of new businesses would become more and more difficult.

Let me state at the outset, before others point it out, that I am not an expert on taxation. I claim only to be an expert of sorts on *job-making*. But one cannot pretend to practical knowledge of the science of creating jobs without some appreciation of taxes as well, since taxes and jobs are very closely interwoven.

Like every businessman, I must constantly wrestle with problems of taxation. A businessman's interest in politics and political parties, indeed, can usually be traced more directly to his concern with taxes than to any other single phase of government. I have sometimes thought that if all Americans paid *openly*

those hundreds of "hidden" taxes—the taxes concealed in the price of goods and services they purchase—they might develop a keener interest in government. At the very least they would be more conscious of the fact that it is *their* government, paid for out of their own pockets, and hence subject to *their* orders.

The businessman, it should be more generally recognized, is the real Collector of Internal Revenue. Does he own a filling station? Then he collects the taxes on gas, oil, tires—not only the direct tax inscribed above the pump, but all the hidden taxes which have been carried along from the first step in bringing oil out of the ground or rubber out of the tree. Is the businessman a jeweler, grocer, baker, movie theater owner? He, too, is one of the two million collectors of internal revenue who in wartime siphon out of the national income stream some 40 billion dollars for the federal government and 10 billion for the state and local governments.

We are told by the so-called classic economists that it is the function of the businessmen, the managerial or entrepreneur groups, to bring money, men, and materials together into their productive process. It is this function—the function of making jobs—which entitles the humblest businessman to opinions on taxes, even over and above his function as a tax collector.

My personal experience as job-maker has run the gamut from one employee, namely myself, in a one-man business, to my present position as employer of nearly two thousand workers. I am therefore entitled to ask: "Why should I or anyone else want to be a job-maker? Have we a finer social conscience that impels us to provide work for the workless?" Not at all. We seek to make jobs because *it pays* us to make jobs.

I have found a way of bringing men, money, and certain materials used in my business together. I know that my best chance of making more profit for myself and my stockholders is to expand my employment, production, and sales. I am ambitious enough as a businessman to hope and strive for expansion almost without limit.

The trick is to get enough production out of my plants to compete with others in the same field—and with other products bidding for the public's expendable dollars—on a price and quality basis. The proof that this isn't an easy trick, that its expert performance calls for expert skill, is in the hundreds of failures and bankruptcies in every business area every year. Additional proof is to be found in the list of products which were made at one time, enjoyed their brief day of acceptance, then dropped out of sight.

It is safe to say that no business leadership has ever been truly successful unless it gave its best attention to the primary job of making jobs. To justify itself, management must be on the alert for every influence which prevents the creation of jobs, and keen to take advantage of every chance to make more jobs.

As a businessman, therefore, my views on taxation are based almost entirely on what a given tax program or policy does to my function of job-making. That is the aspect to which I wish to direct myself, and I think there will be little dissent from my judgment that it is the most important aspect. I am not seeking larger opportunities for people to get rich, but larger inducements for men to get ahead by making those improvements and technological changes and marketing advances which serve to provide ever more work for American workers. I favor a tax program which fortifies our middle-class society, with fewer at the extreme top, fewer at the extreme bottom, and more in between.

2

The tax expert and the job-making expert agree from the start that enough revenue must be raised to pay for the necessary activities of government and to service its debts. To the tax expert the best tax may be one which, as the Frenchman said, gets the most feathers from the goose with the least squawk. To the businessman, however, the chief considerations are of a different character. "What kind of tax," he must ask himself, "is

best suited to keep fresh capital flowing into business from investors, thus widening the base of our whole economy? What kind of tax interferes least with the consumption of the goods we produce? In short, what tax program will best help me to create new jobs?"

My objection to the present tax policies is not that it takes too large a slice of my private income. It has not yet seriously affected my personal standards of living. My objection is that it takes that slice in a manner best calculated to discourage and prevent job-making and to endanger-existing jobs.

Our revenue system is archaic, haphazard, almost an accidental accumulation of imposts. One tax after another has been added on a piecemeal basis as the government needed new revenues. The process of expanding taxes and making them more sharply progressive has gone on at an ever-accelerated tempo. Even before the war the tax rates on individual incomes in the higher brackets were so steep that it really didn't make sense for those affected to continue their trade of job-making. With rates as high as 80 per cent, the investor was likely to lose even if he won.

Watching the process, I have been reminded of the prize fighter who was pretty good with his fists but a little weak in the head. Having gotten himself involved with several managers, he ended in court, where it appeared that he had contracted to give away 135 per cent of his earnings. If we continue on the present tax path we may find that it is smarter to leave the prize ring to the managers.

The tax system is to blame that existing businesses are in danger of succumbing to the first spell of bad economic health. Like a person without enough reserve vitality, they simply "can't take it." A year or two of bad luck or bad conditions which they could readily weather with a store of capital vitality to draw upon may kill them off if such reserves have not been built up. That danger can obviously be translated into the language of jobs.

Even more serious is the matter of new jobs. Unless business is permitted to plow back its profits and maintain capital reserves, infant mortality among newly born companies must rise to catastrophic levels. The only thing that will keep down the mortality figures, in fact, is that so few will get born at all. Our present tax policies are a nearly perfect birth-control device in the domain of business.

Big firms with established credit, well-defined markets, and good financial connections can tide over unfavorable periods. They can live for a while on the fat accumulated on their bones in the good years for a generation back. They can meet urgent capital needs through bank and government loans.

But the small businesses, and in particular the newly established company, have none of these survival advantages. Not even the best-planned new undertaking, under the most propitious circumstances, can expect to make a profit immediately. Those who launch them normally count on a few lean years as prelude to the hoped-for fat ones. In the past they could reckon on recouping the initial losses and spreading them over a series of profitable years. Today their profits, if they struggle through to the point of making some, are funneled off into the federal treasury—not to mention state and local treasuries—and the losses cannot be made up. The most venturesome gambler is stopped short by odds of such magnitude.

New small businesses rarely have access to adequate commercial loans. Their credit and their business health are unknown quantities. They must rely on venture capital, their own and other people's. They must stake their future on the process of plowing back earnings to fertilize expansion. But risk capital will be slow to venture when progressive surtaxes are at frightening levels and there will be no surpluses to plow back.

Staggeringly high income taxes are usually defended on the ground of "ability to pay." Do they not merely "soak the rich"? Don't men of wealth have plenty left after taxes to take care of all their personal needs? The truth, however, is that small en-

terprises and relatively poor men wishing to invest in brand-new enterprises are the main victims. This is the phase of the picture that the great American public has not yet grasped. We cannot soak the rich endlessly and indiscriminately without soaking the whole economic system that makes the accumulation of wealth possible.

Let us assume that the present tax rates had been in effect at the turn of the century, when the motorcar industry was taking its first tentative steps. It was a new industry, still under a cloud of skepticism and even ridicule. Many transport experts insisted that the newfangled smoke-spitting and ear-splitting horseless carriage would never replace the true-and-tried dobbie. Only men of vision, with adventure in their blood and faith in their hearts, entered the risky business. They were mostly little men, financially speaking, and one of them was named Henry Ford.

These little men took losses and disappointments year after year. They scraped together capital among their friends. When profits appeared they unhesitatingly plowed them back into their business. In time they prospered and America prospered with them. But had the present tax system been in effect, this adventure could never have gotten under way. There would have been nothing to plow back but withered hopes. The industry might conceivably have been born notwithstanding. But it would have been closed to little men. Only great financial aggregates—or the government itself—could possibly have made a go of it under such conditions. What makes the industry distinctively American—its intensely competitive character, its mass output for low-price consumers—would have been virtually impossible.

What is true of automobiles is true of every new industry that came into being after the turn of the century. More to the point, it will be true of television, prefabricated housing, mass-produced helicopters, and a hundred other potential businesses in the years ahead. Unwise taxation will discourage or actually prevent risk capital from venturing into new fields or enlarging

old ones. It will stand as a wall between little men and business venture. The purpose may be to squeeze the last drop of financial blood from the big fellows—the effect is to bar the little fellow altogether or to kill him off should his spirit of adventure be proof against discouragement. And experience has shown that big chances on new inventions are almost always taken by little men.

It is easy to demonstrate that Henry Ford could not succeed in business today in the face of the present federal, state, and local taxes. But I do not need to go beyond my personal experience for the proof.

I went into business with a partner about twenty years ago. We each had \$2,500. We drew modest salaries and, as our business prospered, we plowed back all of our net earnings. When my partner retired at the end of five years, we had increased the number of jobs in our business from one to eighty, at good wages. Within fifteen years more the capital had expanded through the plowing-back process to the point where the business could provide more than a thousand jobs. We were producing goods, but from the social viewpoint it is more accurate to say that we were producing remunerative employment for ever more men and women.

Under present tax rates, we could not have financed our growing business from accumulated profits. When we started in business the federal government took less than fifteen cents of every dollar of profit. Today it takes nearly three times as much out of each dollar of normal profit, not to mention the excess-profits tax which runs up to 90 per cent. And on top of that, there are increased state and local taxes to pay. This mounting tax "take" does not offer much incentive for an investor to become a job-maker.

The low-down fact, so obvious that it scarcely requires erudite proofs, is that the smooth working of the private-enterprise system calls for a large and ever-increasing supply of capital. It has been estimated that it takes an average of \$5,000 in machinery

and other essentials to provide a single job. If this capital is not allowed to accumulate, if it is drained off by the government, there will be no job-creating funds available—except in the hands of the government. Taxes that dry up the sources of savings, that forbid the gathering of capital pools, are therefore a more direct assault on free capitalist economy than any socialist or communist propaganda. If we allow this trend to go unchecked, we will never need to vote for socialism—we'll get it by default.

So far as the consequences are concerned, it makes little enough difference whether those who wield tax power destructively are aware of what they are doing or act from the noblest motives.

A prominent and able lawyer recently drew for me a startling picture of how burdensome and illogical tax laws are forcing smaller firms out of the domain with which he is most familiar, the oil industry. If these laws are not reformed, he wrote, "only the larger industry units will survive." He added:

"I have personally seen eight or ten of my best clients—able, aggressive, independent operators—sell out, lock, stock, and barrel, to major oil companies in the last few years. These men have been the venturesome souls of the industry, those who have pioneered in the discovery of new fields, successfully drilled wildcat wells, found deeper pay horizons in old fields, improved drilling practices. They have profited in their business. They would like to go ahead and plow their profits back into their business, venturing into new fields. But present tax laws force them to adopt a contrary course."

That course is to sell their properties. By selling they can, at any rate, retrieve their original investment and retain 75 per cent of the profit above the investment; the 25 per cent "capital-gains tax" makes this possible. That offers a more attractive way out of the tax dilemma than further risking of capital for a prospect of profits that, if forthcoming, must be turned over to the federal and state governments.

The lawyer cited specific examples of small, energetic firms which have thus edged out of an impossible situation, leaving the big companies to rule the roost. The oil industry, we may be sure, is not an exceptional case. Everywhere it is the small enterpriser who is hardest hit by inequitable and uneconomic taxes.

3

It is not pure coincidence that confiscatory taxation has been pushed by the same kind of people who look upon the American system as "mature" and therefore finished. Such taxes serve to "freeze" economic life at its present stage, but that is hardly a matter of concern to people thoroughly convinced that it cannot move beyond this stage anyhow.

With a more widespread popular awareness of the new and greater horizons of economic opportunity opening up for our country in the postwar years, there should come also, consequently, a revulsion against the present confused, repressive, and punitive tax policies.

They have proved themselves policies that prevent the accumulation of capital for productive investment and destroy the incentive for risking savings in job-making ventures. Safe but unproductive investment in government bonds, for instance, makes more sense under current tax conditions than hazardous undertakings of a creative character. In addition, the capital-gains tax operates to prevent the easy flow of capital from one type of investment to another. The total revenues from this tax source have been slight, yet it has limited the mobility of capital to the detriment of business expansion.

Our present tax system pyramids its inequities by taxing business doubly—first, in absorbing profits at the source in the business firm, then again in taxing the income that reaches the individual stockholder. This duplication is frequently multiplied by state taxes which likewise take a bite out of the in-

come in the hands of the earning company, and then another bite when it is in the hands of the individual.

There is no denying that a certain feeling for "social justice," complicated by a less pretty but even more effective desire for "social vengeance," plays a part in our tax system. Its greatest weight, seemingly though not always actually, is piled on a group that is numerically small and hence politically weak. Those with \$2,000 or \$5,000 incomes have a lot more votes than the negligible minority which would have been affected by the \$25,000 ceiling which the President sought to impose.

Unfortunately a lot more than the imposition of income limits is involved. The funds siphoned off into government coffers would not have been used for "high living" and self-indulgence; there is, after all, a limit to what any one person can consume. It would have been used to swell the stream of job-making capital. That is one side of the medal. The other side is that limitation of incomes destroys the incentive to exertion and enterprise precisely among the minority that is in the business of job-making.

Equality of income is an attractive political slogan. It has the surface sheen of justice. Fewer Americans would fall for it if they realized that its ultimate effect is to dry up the sources of all income, equal or otherwise. Its logical end products are general impoverishment, a stalled economy, and the totalitarian state exercising monopoly powers.

Just as soon as we recognize the terrific power for destruction residing in taxation, we become aware, also, of no less terrific power for construction. The curbing and reform of the present tax system to remove barriers to investment and to wholesome business enterprise are essential. But that is only the negative phase. There is a positive aspect. What can and should follow is a purposeful use of the tax potential by the American people, through Congress, *to stimulate the capitalist enterprise system.*

We have it within our power to use taxation as a tool for creative economic achievements. It can be deliberately planned


to make jobs, to coax savings and other capital into the active stream of productive investment, to help small business to remain afloat and to extend its operations.

What is often called "incentive taxation" can be misused to give undue privileges to this or that group. But basically it is a valid procedure. To brush it aside because it lends itself to excess would be like forbidding medicines because an overdose may be harmful.

I believe there should be special tax concessions for new enterprise for a limited number of years—the period of dangerous infant mortality in business—and special tax treatment for capital invested in plant expansion and other job-making efforts. Incentive taxation would give old and new businesses alike more chance to weather economic storms by levying taxes on average earnings over a number of years, rather than on peak earnings in good years. Some method must be found whereby the seven fat cows can be made to support the seven lean.

Taxation in the recent past has been applied as a weapon of class struggle and class cleavage. It can be applied no less effectively to cement social relations and to head off industrial strife. Tax policies, whether on purpose or by accident, have in recent years sapped the vitality of America's people's capitalism. They can be reformed to act as a stimulus and tonic to that capitalism.

Instead of killing the goose that lays the golden eggs, we shall do better to try to hatch more geese that can lay golden eggs—and the golden eggs of tomorrow are the jobs created by little men who have a dream of being big.



CHAPTER XIV

Management and Labor

We tend to think of labor and management in exaggerated cartoon symbols. Labor is a tough, lean fellow in overalls and squared paper hat. Management is a pot-bellied fellow with a big cigar and a silk hat. We had better expunge these false clichés from our minds, because both fellows are Americans of roughly the same mental and psychological make-up. There are real management-labor problems to be solved. Why prejudice the job in advance by assuming that two different species of human beings are involved?

One is in work clothes, the other in office clothes. But in nine cases out of ten the businessman has done an apprenticeship in overalls or their equivalent. In the tenth case his father—or his grandfather at the outside—was a workingman.

More than a hundred of the presidents of our biggest railroads started their careers as railroad employees in the lowest-income brackets. An immigrant boy who came here at the age of eighteen headed one of the world's greatest automotive corporations; another such corporation was built single-handedly by a bicycle repairman; a third had a former mechanic in a railroad shop at Ellis, Kansas, as its president. The head of the world's largest radio company began as messenger boy in the original Marconi office in New York. The presidents of the Bell Telephone companies, I am told, all began at the bottom, not one of them earning more than twenty dollars a week at the start.

I am not insisting that there are no differences or conflicts between management and labor. There *are*. The mere fact that there is need for—and now general recognition of—collective *bargaining* is an admission of important differences that need to be continually adjusted. If there were no problems of accommodation there would be no reason to bargain.

My purpose is only to emphasize that the two parties to the bargaining process are fundamentally Americans of the same human fiber. They share the same philosophy; their virtues and their faults are generally of the same nature; their aims and ambitions are peculiarly American, even where the scale is different. In human terms they meet as equals. Upon their relationship there is no shadow of the feudal memories of master and serf which still darken management-labor dealings in some other parts of the world. There is no call for humility on one side, or for delusions of superiority on the other.

These are not generalities but concrete facts to which I can bear testimony from long years of rubbing shoulders with workers and businessmen on every social and economic level. Most other employers would support me. Neither labor nor management is a homogeneous group. There are more variations of human type in each of these groups than there are differences between the two categories. Management has as much trouble within its own economic household as it has with labor; and the internal dissensions in the house of labor are too well advertised to require proof. The fact that there are vital adjustments to be made, conflicting views to be reconciled, must not be accepted as proof of a class war between management and labor in which the intervals of peace are so many armistices. That theory is un-American—worse, it is untrue.

The average American workingman is a conservative—often more conservative than his employer. Whether he likes his “boss” and factory manager or despises them is a purely personal equation, not a preordained class emotion. Such things, it seems to me, are significant. They provide a common human meeting

ground in achieving smooth, fair, productive labor-management relations.

The barriers against the accomplishment of this idea, I believe, are psychological more often than economic. Management-labor relations, unfortunately, have in many respects been frozen into patterns of mutual distrust and hostility not warranted by the facts. The way employers feel about labor unions, the way labor leaders feel about business, are too often emotional *habits* only vaguely related to the physical facts of a given situation. Their attitudes are too often congealed memories of a period when the underlying conditions were altogether different; hangovers, we might say, from a more primitive stage in the history of American labor.

I consider it essential to make all concerned in the management-labor process conscious that, like everything else in the economic picture, it is constantly changing. Conditions which might have made certain employers bitterly "anti-labor" a few generations ago have been basically altered—but somehow the bitterness has survived.

American economy has always been dynamic. It has shown striking evidence of willingness to change, to experiment, to adjust. Would a company think of putting on the market today a product that it used to make in 1920, without improving it and modernizing it? Would it hesitate to throw overboard a type of business promotion or production scheme once suitable but now outlived and outmoded? Every businessman worth his salt is continuously seeking to revise and improve his plant and machinery, his methods of financing, and his sales procedure.

Yet the same businessman, when confronted with a labor-management problem, is apt to insist that "what was good enough twenty years ago is good enough today." His thinking, so alive and dynamic on most other matters, is in danger of remaining static on the matter of labor relations. That is what I mean by psychological barriers to the smooth achievement of desirable labor relations. Immense strides have been made in

understanding the constructive role of trade-unions in our industrial life. There is no place for illogical prejudices and blind opposition. There is no sense in trying to circumvent history.

The psychological impediments to better relations, however, are not put up by management only. Labor does more than its share. It has attained its maturity in recent years, but in a great many of its attitudes it seems to have carried over the obsessions of its infancy. To put it bluntly for the sake of emphasis, organized labor hasn't quite "grown up." It has been slow to shoulder the obligations of maturity.

Organized labor used to be weak. It lived under a variety of legal and political handicaps. It was always on the defensive. It felt itself the "underdog," and the friends of organized labor shared that feeling. But all that is history. Measured in numbers, political influence, economic weight, or by any other yardstick, labor is a power in our land. It can well afford to throw off its underdog psychology. It need no longer be sorry for itself. Labor injunctions, official discriminations, public hostility to trade-union objectives are mostly in the past. Discrimination is as likely these days to work in the reverse direction.

And the principled supporters of the labor-union idea, too, can afford to shelve the old assumption that labor is a harassed, persecuted minority. It is in deference to that assumption that many people have almost as a matter of course sided with labor in any dispute, regardless of merit. They have defended labor even when it was palpably in the wrong. They have resented any criticism of labor—even when it seemed well deserved.

That sort of coddling could be justified in the past. It no longer corresponds to the facts. To continue coddling out of sheer habit, now that labor is full-grown and potent beyond any other single organized group in the land, is not only illogical but positively harmful to the larger cause of labor itself. It is the kind of high-minded tolerance that fortifies abuses where such exist, that prevents internal reform and democratization of

trade-unions, that hampers the normal evolution of management-labor relations by injecting false emotional issues.

Labor is no longer the underdog. It is recognized, enjoys legal protections, and swings immense weight in our national life. I know that nearly all labor leaders agree with me when I say that trade-unionism must measure up to the challenge of its new power. What applies to business organizations applies to labor organizations: to survive and prosper they must become more free, more democratic, more socially minded. They must cease to regard themselves as embattled armies and learn to think of themselves as vital, co-ordinated elements in a complex economic machine.

2

In an earlier chapter we examined monopoly, recognizing that in a people's capitalism of the American variety it is not a capitalist device but an *anti-capitalist* tendency. It runs counter to the ideals and the interests of a democratic competitive economy. In this concept there can be no exceptions.

Trade-unions—not only their officials but their rank and file—must grasp the fact that monopoly in labor is as repugnant to the American spirit as monopoly in business. Oligarchy and minority dictation are hateful to Americans whether exercised by labor groups or farm groups or corporate groups. A union member denied a genuine voice in the conduct of his union's affairs has lost a portion of his American democracy just as truly as a stockholder prevented from knowing and influencing the conduct of his company.

Union rules that tend to exclude American workmen from jobs of their own preference, that prevent small businesses from making a go of it, that stymie technological progress and penalize the consumer, must in the end react against the whole labor movement. Practices that operate to crush businesses in cruel struggles between rival unions, demands that limit the possi-

bilities of creating new jobs, must, in the final analysis, hurt the cause of labor no less than the interests of the whole community.

The American economic system cannot tolerate artificial restrictions on productivity. This is true when the offender is business itself, through any of the myriad monopolistic devices. It is equally true when the offender is labor, through any rules which limit output, encourage slow-ups, perpetuate obsolete or non-productive employment, or give the right of way to any sort of "feather-bedding."

And it is especially true when business and labor *combine* to interfere with normal and natural processes of economic life. There is the evil of corporate monopoly and the evil of labor-union monopoly. But when labor and management get together and settle their differences at the expense of the public, the two sets of evil are not merely added but multiplied. A labor-management peace that takes it out of the hide of the consumer is sterile, because it is in effect a declaration of war against the community. We know that instances of such "co-operation" between management and labor are not too uncommon.

I have tried to show that mass output and low prices hold the secret of health for the free-enterprise system. Labor policies that hamper this flow of goods are a menace to our people's capitalism—and therefore a menace to labor itself. Any make-work rules, slowdowns, or other practices that retard rather than stimulate production act to increase costs and must in the long run cut down wages. Any reactionary measures to prevent modernization of machinery, the development of more efficient processes, the natural progress of technology, are so many blows aimed at the heart of the American way of life. Whatever temporary profit labor may derive from such action will be paid for a hundredfold, sooner or later, in the weakening of our economic setup.

Self-interest and public interest thus coincide, though myopic labor leaders, like so many myopic management leaders, do not see it.

The faults of organized labor in America in the main run parallel to the faults of business. The tendency to reach out for power, to take all that the traffic will bear in a given situation, to forget public interest, to overlook the long view in favor of immediate profit—which of these has not been charged against labor and capital alike, and with about equal justice?

A fact which too many of our radicals ignore is that the rugged individualism they despise has found expression in labor unions no less than in business enterprises. For good or for ill, it is an American phenomenon, not a class phenomenon. We have few, if any, unions that are crusading and social-reformist in the European sense. They are simply agencies for economic bargaining.

I say these things not in derogation, but in deference to reality. Neither labor nor management has any good excuse for looking down on the other from a perch of moral superiority. Both have erred in recent years, and usually in the same respect. Both have been too prone to judge events and policies solely by the test of self-interest. Society as a whole has suffered in consequence and the economic system within which both labor and business have their being has been endangered.

Legitimate self-interest is right and necessary. It is one of the primary motive forces in human life. But when carried to an extreme it is a force that defeats itself. It then becomes not only "wrong" but shortsighted as a policy. That is as true whether the party at fault is a labor union or a business firm. Those business and labor spokesmen who emphasize, rightly, that they must learn to understand one another and to listen to one another should carry their logic one step farther. Both of them must also listen to the consumer public, to agriculture, to government.

Business, which only a few years ago was "in the doghouse," is at this writing fairly high in public esteem. The job that it has done in producing tools of war and a general revulsion against the business-baiting of the preceding period are responsible for

the change in mood. But it is only a step back to the kennels. Business must be alert to prevent a repetition of the things that originally brought it into disrepute.

And the experience of business can serve as a wholesome lesson to organized labor. Because business failed to clean house, it was cruelly punished. It became, for a period, almost an outcast. As an employer and a businessman I am naturally reluctant to give advice to labor. Yet I am impelled to remind my labor friends that business at the apex of its prestige and power stood higher in public esteem than labor in its day of greatest popularity. Then an aroused public opinion loaded business with harsh legislation under which it is still staggering.

Already there are signs, here and there, that resentment against some labor practices is spreading. The danger is that it may find expression in unjust and punitive anti-labor laws, under which the innocent will suffer along with the guilty. Should not labor, therefore, draw the moral from the recent ordeal of business and act on it in due time? Should it not take cognizance of storm signals such as the new anti-labor laws put on their statute books by a number of states, the ominous tone of the press, the increasing symptoms of distrust of unions by laboring men and women themselves?

To pretend that there are no abuses in labor unionism would be childish. It is easy, of course, for good unions to shrug off responsibility for bad ones—as easy as it is for good corporations to remain indifferent to the activities of bad ones. But explosions of popular impatience are not nicely discriminating.

Let me list a few of the most serious sins of labor in a spirit of frank helpfulness rather than recrimination, and with full recognition that they do not apply to all unions or at all times:

1. *Arbitrary refusals to accept workers into membership.*

When a union has a closed-shop contract, and when, therefore, no worker can work unless he is already a union member, exclusion from membership deprives the victim of his livelihood,

and that is self-evidently intolerable. Such refusals take many forms. Sometimes they are brought about by making initiation fees forbiddingly high; sometimes by temporary "work permits" under which the applicant can get employment for a while but is never admitted to the union's permanent benefits. Whatever the method, exclusion means a selfish and socially harmful monopoly of jobs for those who already enjoy the privilege of union membership.

2. *Arbitrary crushing fines imposed upon members; arbitrary suspensions; arbitrary expulsions.* When the union has a closed-shop arrangement or dominates an industry, to expel or suspend a worker is often to condemn him and his family to starvation. The records of our courts contain plenty of instances of expulsions in punishment for criticism of union officers or policies. Let us recognize the truth that in a great many unions the individual worker needs protection against unfairness and even tyranny on the part of business agents and other union officials.

3. *Undemocratic procedures in the internal management of labor unions.* There are unions that do not hold regular conventions, or truly free and fair elections; others that go through the forms of democracy but are without a trace of its spirit. In such unions we get the labor "boss" who pays himself handsomely and can't be dislodged. Such a condition is no less deplorable than the corresponding condition would be in business organizations, if top-flight executives beyond the control of the stockholders should entrench themselves permanently at exorbitant salaries.

4. *Failure to render proper financial accounts.* Some unions have understood the need for financial accountability. Others protest that they dare not reveal their financial status to the employers. It is an argument that will soon go down the drain. Just as stockholders and employees have the right to know the truth about a firm, so the firm has a right to know the truth about the employees and their union. There is no room for

secrecy; mutual confidence can be attained only when a firm and a union come totally clean with each other.

5. *Too many strikes.* I believe that a large proportion of strikes are avoidable. Anyone in contact with labor-management affairs knows how many work stoppages are called arbitrarily, even frivolously, without warning and frequently without consulting the workers involved. Strikes can be the fault of the employer. But the fact remains that management sometimes does not even know what the strike is about, occasionally is not even directly concerned with the dispute.

6. *Violence on the picket line.* This sin is clearly on public view and makes a host of enemies for unionism. In a dark past there were instances of violence incited by "strong-arm" bullies hired by ill-advised employers to discredit a strike. Occasionally violence is let loose by overzealous law-enforcement officers too ready to crack skulls. But there is also ample violence by the pickets themselves. The blame must be spread over all who are guilty, and labor cannot expect immunity. It must learn to place law above force. It must distinguish between peaceful picketing and mass intimidation, mass coercion, mass violence.

7. *Restraints on production.* I have already said a good deal on this subject. Though it is last in the list, it is perhaps first in importance. Waste of human effort, under any excuse, is a grievous wrong to the whole American economy and one that in the long run boomerangs against its instigators. Some enlightened unions have outlawed "feather-bedding" in any of its endless forms. They realize that if workers are to have the good things of life, those things must be produced and produced ever more abundantly.

Management, too, has a solemn responsibility in this connection. One of the main causes for work slow-up is the real fear that when the job is finished there may be nothing but unemployment ahead. The prospect of continuous employment, the extension of legitimate social security, every sane and sensible

scheme for unemployment insurance—these will do more to eliminate “feather-bedding” than any amount of harsh language.

But the unions must do their part. They must abolish insane rules that penalize a man for doing a full day’s work. What I have said repeatedly about business I venture to say also about labor.

Organized labor must realize that it is an integral part of a larger whole—American capitalism. It has a stake in the policies and practices of management, and business has a stake in the policies and practices of labor. One cannot prosper while the other is in distress. Their destinies are intertwined. Trade-unions, therefore, cannot at this stage in their growth remain secret societies. They can avoid external controls, in the final checkup, only by accepting the principles of self-government, full responsibility to the public, and full accountability to their own membership. In recognition of its maturity, organized labor must submit to public scrutiny of its finances, elections, leadership, and policies precisely in the measure that business does.

3

Management, at its end, obviously must revise its traditional attitudes toward unionism, where these have lingered on. It can no longer blink the fact that labor will get a large voice in our people’s capitalism. Neither its feelings nor its interests can be treated lightly. The workers will increasingly be told more about the problems of the business in which they are engaged, in order that they may comprehend the larger pattern and their place in it. Confidence, hereafter, will have to be based on knowledge, not on clever slogans.

The establishment of this confidence, of course, cannot be attained overnight. It is a long-range job requiring long-range vision and planning. The task of attaining maximally co-operative relations between management and labor must, in common sense, be considered in terms of years rather than months.

The mutual suspicions, the psychological barriers to which I have alluded, are too great to be wished out of existence.

Hence the sooner we begin the sooner we will reach our goal. The suspicions can be outrooted, the barriers razed, only through give and take, through good will, through more extensive contact and understanding around the common council table. A slight improvement in one sector of the industrial landscape, a better approach here or there, are to the good. The important point is that the goal of better relations be kept steadily in view—that mutual understanding be invited, encouraged, and accepted. It should become part and parcel of our thinking, in the same measure that “class struggle” is part and parcel of the thinking of Marxists.

In the past, management concentrated its attention on products and markets. It gave little time to the human side of business. When that phase of it was recognized, it was dealt with too frequently in a haughty, patronizing spirit. This negligence has been responsible for a larger part of our industrial conflicts than is generally recognized.

We have made better products and developed wider markets because we have entrusted those tasks to top-shelf production and marketing men. From this point forward, I believe, business organizations large enough to afford it will have to put top men in charge of the human relations in their plants and offices. In some respects this job tends to take precedence over products and markets, since its neglect may undermine the whole enterprise.

More and more business leaders are acknowledging, in action if not in words, that they have a responsibility not alone to their stockholders but to their employees. The two responsibilities are really closely connected. Policies that drive a wedge between labor and management are as dangerous, even in the cold business sense, as mistaken fiscal policies. Attitudes that make the workers feel like outsiders act on the human mechanism of business like sand in the gears of a machine.

It has been my experience that wherever you have tough management you are likely to find tough labor leaders. The process of collective bargaining in that case is immediately put on a war footing. I had a concrete illustration of this some time ago when four vice-presidents of one of our great American corporations called on me. They seriously urged that I come out for the abolition of trade-unions, that I attack the War Labor Board, and that I demand the repeal of the Wagner Act and the Social Security laws. I felt as though I were listening to voices out of some dim, nearly forgotten past.

"Labor is just a commodity and must be treated as such," one of the men argued. "Unless we get back to that fundamental, everything is lost."

I sought to explain that such words echo a stage in American development that has long become history; that the human being in our industrial process must take precedence over everything else. But I began to understand why the corporation in question was having so much "labor trouble," why even the management members of the War Labor Board were constantly making decisions against it. It was clear to me that these officials by their outmoded views were in large measure responsible for their own troubles. This conviction was confirmed soon thereafter when I met the president of the corporation. I was happy to learn that the top management did not share the attitudes of the junior officers. A revision of the concern's human relations was undertaken which, in due time, may be expected to restore the balance.

I am not in favor of government in business, and I regard labor as an intrinsic part of business. But rightly or wrongly, government will inject itself into business, and into the affairs of labor, if there is not self-regulation in labor-management relations.

As a specific example, why should government be a party to an election to determine for labor its bargaining agency in any plant, large or small, anywhere in the land? It seems to me altogether reasonable and feasible for labor and management to

conduct their own affairs on the basis of mutual respect without official intervention. Precisely because the period ahead of us is a critical one, with difficult problems to be solved, both management and labor must take advanced positions on the solutions of their own problems without government intrusion. Independence sacrificed in a moment of crisis is not easily regained when the crisis is ended. It is simpler to lose freedom than to reconquer it.

The National War Labor Board has been necessary in wartime. We accept government intercession to regulate disputes just as we accept other restraints that would be rejected in time of peace. But it would be hurtful, if not fatal, to the future of labor and business alike if the sphere of management-labor relations were pre-empted by government as its special province.

Let me set down a few simple propositions which seem to me fundamental in the evolution of a healthy labor-management picture:

1. Practical co-operation between labor and management does not imply an abridgement of the right of expression of intelligent self-interest by either side. Management, in other words, must recognize the right of labor to seek to protect its economic gains. Labor, by the same token, must recognize the competitive-market pressures on business.

2. Labor must recognize that national prosperity, and hence the well-being of workers whether organized or not, depends upon a free and prosperous economy. Interference with that freedom is therefore inimical to the interest of labor itself.

3. Management and labor must mutually recognize the vital importance of facing issues squarely, analyzing problems honestly and reaching equitable solutions. Ultimatums by either side prove nothing, and concessions exacted by violence leave wounds that do not easily heal.

4. Reliance upon government to solve labor-management problems is unsound. Lawsuits and appeals to federal administrative agencies, involving thousands of pages of testimony and

heavy legal fees, are futile extravagances. There is little an outside agency can ascertain which the parties involved do not know more intimately.

A fifth proposition applies more explicitly to management. I am setting it down not as a recommendation but as a subject for discussion and inquiry, since it is one that has potential dangers as well as potential advantages:

Labor has found it useful to act as a unit in dealing with management, by region and by industry. Management, however, has sacrificed this co-operative advantage. It has been inclined to act individually, and frequently at cross-purposes with others in the same field. By this process labor has often been able to "play" one firm against another. Having jockeyed one concern into line, it can use the resultant contract as a club to drive others into line.

Management has failed to co-ordinate effort by region or by industry, fearing that this would "increase unionization." But once we recognize frankly that unions are here to stay—that collective bargaining is an established and useful reality—then that fear loses its point.

If management could organize, employ competent personnel to deal with organized labor by sections and by industries, many of the present difficulties might disappear. Under such an arrangement differences in wage scales and conditions of labor could be recognized in the regional area of an industry. Neither labor nor management could then use such differentials as a cloak for monopolistic policies.

I do not offer this as a panacea. In all candor, there are doubts in my mind that need to be explored or perhaps tested in action. But it is at least a measure worth earnest thought.

All our bright prospects for the postwar years can be wrecked on the shoals of industrial strife. Good labor relations are the fundamental condition for the critical years ahead of us. Both management and labor have nothing to gain and everything to

lose in the wreckage—only mischief-makers and enemies of our people's capitalism can derive any comfort from industrial conflict.

An amicable management-labor picture is not a secondary matter to be dealt with in spare time. It is a central challenge. Nothing less than the life or death of our free economy is at stake.

CHAPTER XV

The Americas—Partners in Enterprise

"We are delighted to have you here, Mr. Johnston," said Brazil's Foreign Minister Oswaldo Aranha, "*but*—one more good-will mission to Brazil, and Brazil will declare war on the United States. . . ."

I received the remark as it was intended—as a joke. Nevertheless, I hastened to explain the purpose of my visit. I hadn't flown down on a lecture tour or handshaking expedition. Much as the vast and varied lands to the south intrigued my imagination, I was not even concerned with sight-seeing.

Officially, I traveled to South America early in 1943 as the chairman of the United States Commission on Inter-American Development, to confer with similar commissions in the six countries visited: Brazil, Uruguay, Argentina, Chile, Peru, and Colombia. On the return journey I also visited Panama. Unofficially I was making the journey as an American businessman deeply interested in South American developments and more specifically postwar opportunities for American capital, brains, and brawn.

The primary mistake outsiders make in judging Latin America is to regard it as a homogeneous mass. Each of the twenty Latin republics has its distinct character and its own place within an extremely wide range of economic and cultural development. Most of them have a lively pride in their unique histories. That pride is likely to be hurt by the casual manner in which North Americans lump them all in sweeping generalizations.

Having admitted the danger of generalizing, I shall now proceed to do so. On the Pan-American planes that sped me over the immense, warm greenness that is Brazil, the fertile plains of Argentina, the mineral-laden Andes of Chile and Peru, and the oil wells of Colombia, I saw boundless possibilities for American participation with our neighbor nations of the Western Hemisphere in their industrial and commercial development.

South America, I found, is on the threshold of a great industrial expansion. The continent is having a veritable boom, supplying the United Nations with foodstuffs and war materials of all kinds. New war industries—such as rubber development in Brazil—are springing up in many countries. The political and business leaders of the continent are convinced that it is not a temporary splurge but the prelude to a rapid and fateful industrial growth.

I talked with the top officials in the key countries, with leading bankers, industrialists—even with labor leaders, rather to the astonishment of my hosts. I interviewed Americans long resident in those countries. I inspected new economic and social-service projects that mirrored modern technology and modern thinking—set against startlingly primitive backgrounds.

From all of this I carried away a sense of impending “boom.” South American leaders are conscious of their hour of destiny. A great treasure house of natural resources—iron ore, rubber, timber, oil, many minerals—awaits the magic touch of twentieth-century technology. Millions of backward, humble people are reaching out timidly for the products and the comforts of modern life. Again and again—in Brazil, in Peru, in Colombia—I had the sense that I was looking at a segment of our own great Northwest in its early days. There was the same juxtaposition of modern machines and crude living conditions.

I carried away the conviction that opportunities will abound for United States businessmen after the war. The other American republics will then be ready to start or expand the production of textiles, shoes, paper, cement, automobile tires, glass,

insecticides, construction materials, and scores of other items. On my entire 20,000-mile tour I did not find a single dry-cleaning plant that we in the United States would call modern, yet the accommodations of most of the hotels where I stayed compared with the finest in the United States. That is only one minor example of the economic vacuum waiting to be filled.

The average South American businessman admires our know-how in business. President Lopez of Colombia told me: "The best businessman in the world is the Yankee. The enterprise approved by the Yankee businessman is the one in which I like to invest my money." But the admiration is not unmixed with misgivings. Suspicions of "dollar diplomacy" and "Yanqui imperialism" have not yet been entirely erased by the Good Neighbor policy.

National pride is no small part of the attitude of reserve. American businessmen are needed and wanted, but as partners, not "exploiters." South Americans are resentful of foreigners who invade their countries on a get-rich-quick basis. They want prospective investors and builders to become permanent residents, to sink roots in the life and culture of the country. To overcome the reserve and dissipate lingering suspicions, we must translate official policies into personal contacts. The fine phrases of Good-Neighbor friendship must be resolved into specific private relations.

South Americans will no longer consent to be excluded from large participation in enterprises of any sort established by Americans within their countries. Their financial position is perhaps better today than ever in the past. Brazil, Argentina, and other countries are building up large, favorable balances against the United States, Great Britain, and other countries.

Some of these balances are being used to buy their bonds from foreign holders, in some instances at bargain prices. Equity shares of foreign-owned utilities and other businesses are being purchased by local investors, often to the discomfort and alarm of British and American owners. Offers are being made for com-

plete purchase of foreign-owned telephone and electric-light systems. Available money is being used to buy whatever industrial machinery and equipment can be bought and shipped from the United States. Local funds are being earmarked for plant equipment from the United States and Britain once the barriers of war conditions have been removed.

All of these things attest the obvious decision of South America to be master of its own economic household. The economic pattern of the past, in which Latin America was used by outsiders in a semi-colonial spirit, is being shattered. The importing of foreign capital will be encouraged; it may even have a controlling voice in new undertakings; but nationals will insist on direct participation.

The chairman of the Brazilian Commission of Inter-American Development said, "Brazil needs the collaboration of both the capital and the technical skill of American business, especially the latter. But we must insist that American industries come to stay permanently in Brazil and help our Brazilian industries in their local development."

This point of view is pervasive throughout the continent. And it seemed to me a wholesome one. South Americans are fully entitled to take part in the ownership and management of companies set up in their countries. They are willing to share the risks and eager to share the profits.

As was the case in our own earlier stages of capitalist expansion, they want a higher return on their money than we normally expect. The rate for mortgage money is almost twice as high in most South American countries as in the United States. The typical South American businessman—and in this, too, he reminds us of an earlier stage in our own business history—seeks to make a large profit on a small turnover. Our philosophy of small profit on large sales is still alien to him.

These are only indications of the difficulties that arise in joint business ventures. But they are not insuperable. We have every reason to encourage their new resolve to take part in United

States ventures in their lands. The knowledge they have of their own peoples and laws, their influence in local financial and political circles, can frequently spell the difference between success and failure of an enterprise.

Great rewards await venturesome Americans in South America who accept this formula of co-operation. The equipping of new and expanded industries in South America is an opportunity primarily for American industry that should provide us with thousands of jobs. But rewards are seldom achieved without risks. The businessman with foresight will not let enthusiasm run away with good sense. He must be prepared for the hazards. He must be ready to adapt himself to climatic conditions, social customs, laws far different from those to which he has been accustomed. He must know, for instance, that the battle against disease in many regions is a long, hard one, yet to be won.

Europeans are still far ahead of us in understanding the techniques of local adaptation. Their representatives, before they step on foreign soil, are more likely to know the language, history, and culture of the new country. It is a fact, all the same, that the great majority of American representatives in South America are able, conscientious, hard-working, and have a remarkably intelligent grasp of local problems.

Contrary to much that has been written on the subject, I found that our countrymen residing in Latin republics are not skimming the cream for a profitable getaway. They are mostly old-timers, have learned the language and the customs of the respective countries, and enjoy the friendship and respect of their hosts. Many of them have spent the best part of their lives in Latin America and are a credit to the United States. Too much of the criticism leveled against them has been superficial, frivolous, and unjust. They constitute the human phase of our distributive mechanism, and they deserve to be wholeheartedly supported from this end.

We are accustomed to thinking of our country as the world's stronghold of freedom. After my meetings with South Amer-

icans, I feel that we must expand our conception of this stronghold to embrace the entire hemisphere. The Americas can be partners in private enterprise. What free men, working under a system of creative capitalism, have done to raise living standards in the United States, they can and will do for all the Americas.

2

The President of the United States had authorized me to tell the countries on the east coast of South America that we would see to it that Africa would never again become a base for threats to their safety; and to assure the countries on the western edge of South America that Japanese ambitions would never again menace their security. These expressions of America's determination to safeguard the hemisphere were well received.

It is fair to say that South America is friendlier toward us than it has ever been. There is a deepening sense of common interests. It is now generally accepted that we have no territorial designs on South America and no desire to enforce our will on any of its governments. But there was, almost everywhere, the question whether our Good-Neighbor policy was one of expediency or a permanent revolution in American attitudes. I felt justified, simply as a private American citizen with some insight into the emotions of his fellows, in maintaining that this policy was fixed; that it was non-partisan and would continue whether our federal government remained Democrat or became Republican.

But government policies are only the beginning. The extension of personal friendships—among the businessmen, labor leaders, university students, churchmen, writers, members of the professions, women's groups—in all the countries of our hemisphere is essential. Air travel, narrowing distances so that it will be possible to go from Miami to Buenos Aires in twenty-four hours, should help greatly in weaving this fabric of human contacts.

The strength of that fabric will depend, in the last analysis, upon the sincerity we bring to the new friendship. High-

pressure methods, flamboyant salesmanship, promises beyond our ability to perform—whether practiced by American government representatives or individuals—can only spoil relations. I found at a number of places that officials had promised machinery and other equipment which could not be spared by the United States. A frank, blunt statement of our limitations is more wholesome than undertakings that cannot be fulfilled.

Most deadly of all our sins, as a nation, is a certain patronizing approach. I found some evidence of this in a number of places. However well meant, our seeming attempts to force American standards prematurely on backward populations, produce an unfavorable reaction.

The President of one Latin-American country was mildly critical, in talking to me, of the seemingly careless manner in which the United States was spending vast sums of money on questionable projects in his country. He had always thought of us as hard-headed, thrifty, and good traders, he said, and could not reconcile this with our government's recklessness in money matters. I took great pains to explain that in the atmosphere of war costs are disregarded; that winning battles was more important than saving dollars.

This experience, however, impressed upon me the danger of any extravagance in South America. It undermines respect, displacing it with contempt. Though assuredly we do not intend to be patronizing, the process demeans the Latin-American people. It gives them all—from presidents down to humble peasants—an uneasy feeling of being made the wards of a philanthropy. Such a policy, it seems to me, is likely to lead to ill-will: a sense of humiliation on the one hand, and, on the other hand, resentment when the flood of gold ceases, as cease it must sooner or later.

I do not, of course, mean to leave the impression that all our government projects in Latin America are wasteful. That simply is not true. Many of them are directly connected with the war effort. Others, I was told, are exceedingly useful, long-range in

their beneficial effects and helpful in fertilizing friendships for our country and our businessmen.

Of the men I met, President Vargas of Brazil seemed to me the most dynamic. He is a nervous, energetic, shy little man. His benevolent dictatorship seems, on the surface at least, to have little if any opposition. His Foreign Minister, Aranha, is a shrewd, farseeing diplomatist. They are apparently making a serious attempt to introduce social reforms. It should be remembered that the great majority of Brazil's forty-five million people are illiterate and have very small purchasing power. In the interior of their country life is as primitive as I have seen anywhere in the world. I visited some of Brazil's new schools, state-financed housing, medical clinics. A residential project outside Rio de Janeiro gave me a vivid insight into the problems that faced the country. The families in the new houses were only a step removed from their grass huts in the forests. It was their first experience with plumbing and wooden floors, and they were not yet sure that they liked or could "take" their new surroundings.

In contrast to Vargas, President Castillo of Argentina (since then removed by a military junta) was a colorless, medieval-minded figure. He seemed utterly unaware of the social upheavals under way in the outside world. The splendors of his summer palace, where I talked to him, seemed to insulate him against reality. He was peeved over America's hostility and put up a vigorous defense of his country's neutrality.

"Why should America be provoked at us?" he said. "In the family of nations of the Western Hemisphere, we are the model daughter. We have never given you any trouble. We have never had a revolution. We have never defaulted on a debt."

"May I carry the analogy a little further, Mr. President?" I interjected. "As the model daughter in this family of the Western Hemisphere nations, you remind me of the girl who had always obeyed her parents and had always been a model child. But one dark night she went out with a strange man—

and she hasn't come home yet. We're rather worried about her."

Soon thereafter there *was* a revolution in Argentina. It settled none of the vital problems. A more drastic, socially significant uprising seems to me in the cards. The tiny minority that has arrogated the power is separated from the people of Argentina by a terrific gulf.

When I called upon the leaders of labor in their Buenos Aires headquarters their astonishment and delight were truly touching. It took them a little time to realize that "a capitalist" from North America was eager to visit them and to discuss mutual problems with them. This was the first time, they said, that a capitalist had ever called on them in a friendly spirit. Normally, one of them remarked facetiously, capitalists came only when accompanied by police to make raids and arrests. I need only add that Argentine officials and some businessmen were frankly shocked when they learned about my visit at labor headquarters. There we have a sidelight on the social tensions which must, sooner or later, end the military dictatorship.

The people of Argentina and its great newspapers, *La Nacion* and *La Prensa*, unquestionably want the Allies to win the war, despite the favor shown to the Germans by the government, at least until diplomatic relations with the Axis were broken off early in 1944. The Argentinians have a particularly warm feeling for the British. There is a large British colony, and many of the British families have been in the country for generations—Latinized English names are quite common. The British were more understanding, or at least less critical, of Argentine neutrality than we were. The net result is that many Argentine nationals were inclined to blame the United States more than Britain for the unfriendly feelings in United Nations circles.

But Argentina was the exception to the rule. Everywhere else Americans seemed to have a clear edge in the affections of South Americans, as compared to other foreigners. The epoch of hatred of the "gringo" is definitely finished. Its memory and the traces of suspicion should not be too hard to erase.

Chile's handsome President, Juan Antonio Rios, who looks something like Warren G. Harding, was most cordial in his comments on the United States. In discussing a proposed trip to our country he asked me to tell Mr. Roosevelt that when he, Rios, got to Washington he expected "a long, tall cool one" in the White House. The diplomatic code did not permit the use of this phrase in my report to the President, so I had to send it in a supplementary open wire. Later I enjoyed informing Mr. Roosevelt that his fame as a drink mixer had spread even to Chile.

All South American countries are making serious efforts to improve the lot of their underprivileged. Perhaps Peru has gone further than the others in this respect. I recall with particular pleasure visiting a new recreation center in that country. I was met at the gates by a group of young men and women, and all talked at once in showing off their modest athletic field, surrounded by some white adobe houses. The leaven of progress is assuredly working to the south.

3

Many parts of South America are today at a point of development roughly comparable with that of the United States before the railroads were laid. But South America does not have to pass through all the stages of growth we did. Like Japan at the turn of the century, like Russia after its great revolution, it can skip steps by importing industrial progress and technical brains. It does not have to await the evolution of the machine age. Our neighbor can step into the seven-league boots of modern technology and go forward at a terrific speed.

The airplane, for instance, is opening new vistas of opportunity. Our plane stopped overnight at Bareiras, in the heart of Brazil. The colorful little community lies beside the winding San Francisco River, the only means of communication with the outside world before the coming of the airport. A letter carried down from Bareiras to the coast a thousand miles by boat arrives

in six weeks—with good luck. The airplane flies to Rio de Janeiro, on the coast, in four hours. I thought of the meat shortage in the United States when informed that the people of this village raise cattle chiefly for the hides. Much of the meat cannot be used because the river boats lack refrigeration. An opportunity, I made a mental note, for the American refrigeration industries.

Great expanses of South America, particularly in southern Brazil, are very similar to our own cattle lands in the Middle West and should be able to support large populations. The land is sparsely settled, for there are few highways or railroads. Aviation is opening a wedge here; roads and railroads may be expected to follow the commerce opened up by the airways—a curious reversal of roles. In the use of air transport for freight, South America is even a step ahead of the United States. Rubber is shipped by air from Brazil and Peru. At an airfield in Argentina I saw a large Douglas plane, its seats removed, loaded with onion seed for the United States.

South America is now ripe for development. Within the limitations I have suggested above, this is another of the great horizons opening up for Americans in the postwar years. I visited a glass factory in Argentina which produces ordinary glassware, such as we sell in the five-and-ten-cent stores. The factory is jointly owned by Argentinians and Americans. Thirty-eight hundred people are employed at wages roughly twice as high as they had ever before received for manual labor. For the first time these workers are able to purchase luxuries as well as necessities. They can now think of buying radios, cosmetics, and other products normally imported from the United States.

Across the Andes from Argentina is the long, narrow, fertile coastal strip that is central Chile, where I saw a verdant region similar to the Puget Sound country in the state of Washington. Near by the melting snows of the Andes rush in a torrent to the sea, and the possibility of hydroelectric-power development is immediately suggested.

Chilean businessmen told me they plan to seek the assistance of our industry after the war in the domestic production of paper for the newspapers and magazines published in their country. Heretofore, they imported all their pulp. The trees which grow in southern Chile are said to be ideal for paper-making.

An American firm in Peru manufactures paper from the waste fiber of sugar cane and supplies Peruvian newspapers with newsprint. The accomplishment is unusual, and an American scientist I met at the plant says the process is being steadily improved.

Our neighbor nations largely concentrate upon one or two items for export. They import many necessities. Chile, for instance, depends principally on the production of copper and nitrates; Brazil, upon coffee and cotton. The businessmen of Latin America want to become more self-sufficient in the things they can economically produce.

I could thus visualize, as I went along, the possibilities inherent in South American expansion—the unexploited resources and markets brought into productive contact with American capital and know-how. When I mentioned this vision to an American who lives in Buenos Aires he shook his head dubiously.

“That’s all very inspiring,” he said, “but if we help South American countries industrialize, won’t we be destroying our own export markets? If we lend our assistance in the building of a textile plant, for example, won’t we eliminate that much of our South American market for textiles?”

The obvious answer is that the trade of the United States has always been greatest with the nations of the highest industrialization, for industrialization generates increased purchasing power. Suppose every person in South America were given the added purchasing power to buy one cotton garment—overalls or a dress—each year. The textile industry, which has already made great headway in Brazil and Argentina, would have to expand enormously to supply the demand. And this would mean that

South America would be in the market for looms and many other kinds of textile machinery manufactured in the United States.

As industries grow in the south of the hemisphere, a vast labor force must be trained to operate machines. Small beginnings have been made. I inspected a machine shop in Chile where several hundred young men were studying the intricacies of this century's methods of manufacture. The students were alert and ambitious, and quick to learn.

Later, I spoke to the businessmen of Valparaiso, Chile. "It isn't what you pay a man that's important. It's what he produces for that pay," I said. "For instance, the Bolivian tin miner who receives seventy cents a day may be overpaid, whereas an American miner receiving more than ten times that amount is worth all he gets, because his production justifies it."

Many small American-sponsored enterprises were started in South America before the outbreak of war and, in many cases, have shown tremendous development. One city offered the striking example of a young American businessman who arrived five years ago with a few thousand dollars. He opened a small coffee shop. Then he applied familiar methods of American merchandising to the sale of coffee and doughnuts. Today he owns a string of coffee shops, and he has converted his original investment into more than a hundred thousand dollars.

Businessmen can now only plan for the co-operative development of the Americas. Action must await the ending of the war, and businessmen of the Americas are planning intelligently already in many places. The over-all objective is to raise, through industrialization and trade, the mass purchasing power of the people of all the Americas. To this end, alert business concerns both in the United States and Latin America are surveying our postwar raw-materials requirements at this end and Latin-American needs in materials and manufactured goods at the other end.

But that is just the start. There is a lot of decisive spade work

to be done in eliminating, through reciprocal agreements, some of the obstacles to trade among the American republics. National legislatures will have to revise laws that hinder hemisphere co-operation and remove a lot of red-tape barriers to easy travel and exchange of goods.

This co-operative development of the Americas by private enterprise opens many doors to magnificent economic adventure and it will provide the rest of the world with an example to follow in international relations, eliminating much of the provocation for wars.



Mission to Britain

Someone has said: "All generalizations are false—including this one." To generalize about nations as vast and complex as the United States and Great Britain is certainly dangerous. But to particularize is unfortunately impossible. And so, with perhaps foolhardy courage, I did generalize extensively both while in England and on my return home. I drew what seemed to me a basic and fateful contrast in the temper, the thinking, and the economic philosophies of the two great English-speaking countries.

Whatever differences there may be among our schools of economic thought, I said, there was at least theoretical agreement on the principles of free, competitive capitalism which guarantees maximum opportunity to the individual. Moderate labor leaders and immoderate business leaders see eye to eye on that much. Despite the New Deal experiments—in large measure *because* of those experiments—we Americans don't want government in business or business in government. By conviction and even more so by temperament we are opposed to a monopolized country or a cartelized world, whether the control is exercised by private or by official bureaucrats. We look forward with heightened pulses to a postwar era of exceptional enterprise, nationally and internationally, wherein individual freedom and individual opportunity will be the central motive forces.

The British, I said, do not fully share this vision and this feeling, and are even inclined to regard them as quaintly old-

fashioned. They are not only reconciled to an "organized" economic order at home and abroad, but pleased with the prospect. They foresee an economic orchestration in which the government plays first fiddle. Labor believes it can and will conduct the orchestra and has a lot of socialistic music stacked up for the occasion. Business is slyly convinced that *it* will wield the baton and select the pieces. But extreme Right and Left alike look forward complacently to extensive nationalization of industries, large and often controlling government participation in private business, increased public planning and financing, cartel arrangements for dividing and sharing world markets.

This contrast instantly drew fire from various directions. I was reminded that the British talk more leftish than they act, and that American economy is not nearly so "free" as its spokesmen pretend. Americans are not so unanimous in approval of the people's capitalism I was describing, and in Great Britain there are large middle groups of liberal businessmen and labor men who see in excessive government control, cartels, and restrictive combinations the same evils that we do.

All these strictures are very much in order. Indeed, I was not unaware of the shadings and the exceptions in drawing the larger picture. I mention them at the outset of this chapter by way of corrective for what follows. But I still believe that the larger picture is valid. It may not be an accurate forecast—too many imponderables are involved—but it does mirror the temper and atmosphere of economic ideology in the two countries.

I flew to England in August 1943, on invitation of the British Government through its Ambassador, Lord Halifax, and also as guest of the British National Committee of the International Chamber of Commerce. With me were Joyce O'Hara, my assistant in the United States Chamber, and William Benton, the well-known and brilliantly versatile businessman, advertising specialist, and educator.

The joint government and business sponsorship gave us un-

usual opportunities to meet and probe the minds of British leaders in commerce, manufacture, trade-unionism, journalism, education, government, politics. We met them singly and in groups, and they ranged from ultra-radicals to ultra-conservatives. But the favorable auspices were only part of the story. The rest of it is that British leaders in all walks of life are eager, and no little anxious, to meet Americans and to discuss their mutual problems. Everywhere there is the feeling that Anglo-American relations will be decisive, for good or ill, in the years to come.

I went to Great Britain with one question uppermost in my mind: Can the two greatest democracies of the world co-operate to win the peace as we are co-operating to win the war? I returned convinced that the will to co-operate exists; the British, who are far more dependent on foreign trade than Americans, are hoping for friendly and far-reaching collaboration. But I was no less impressed by the number and the height of the barriers that must be removed or scaled—questions of tariffs, currency stabilization, regulations for international commerce. Perhaps the most formidable of the barriers is the difference in our respective approach to postwar economy—ours from free-enterprise assumptions, theirs from either government participation or monopoly bases.

Pan America's big transatlantic plane was delayed by war and by weather, but Benton and I are both semi-pro air travelers, each with over a million miles to our credit. We did not grumble, therefore, when we unexpectedly found ourselves in New Brunswick on the first night, the following night in a Newfoundland barracks, and finally in an Irish bar in Limerick. (Since the Irish was born in O'Hara, he could pass up kissing the Blarney stone, but Benton and I did what was expected.)

Our day in Ireland meant that another plane from America had caught up with us—this one bearing Lord and Lady Halifax and Gracie Fields, the English comedienne. When we finally arrived on the south coast of England and our flying ship was warped to the dock, I noticed a huge crowd assembled. I knew,

of course, that no such crowd had ever turned out to see a president of the United States Chamber of Commerce, so I asked a drowsy tar, who was lolling against a lamppost like a limp sack of wheat, what all the excitement was about.

"Don't you know? We're here to see our Gracie."

"Well," I replied, "I thought perhaps you had come to see Lord Halifax."

"Who's he?" the tar replied.

What price glory in World War II?

Lord and Lady Riverdale, who graciously met us, soon gave us an inkling of the program that had been mapped out for us. And what a program! Printed, and every page listing a series of engagements, except Sunday, which was reserved for freedom by tradition. We lunched with some important person or group in British life every day. We dined similarly every evening and teaed on prearranged schedule. The interstices of time, however, were wide enough to permit a rich array of interviews of our own choice.

Out of this packed schedule emerged the sense of that over-all trend to government control to which I have alluded. Both Benton and I were interested to find our impression confirmed, toward the end of our stay, by the white-maned Lloyd George. The hour and a half we spent with the elder statesman on his beautiful farm in Surrey will remain one of the most vivid memories of the whole journey.

Lloyd George, who had just passed his eighty-first birthday, was vigorous and alert both mentally and physically. We strolled around his spacious living room, lined with cases filled with mementoes given to him by the governments and the great of the world when he was Prime Minister of England: silver and gold caskets, jeweled scepters, and other gifts. I expected the very atmosphere of the room to remind our host of the history he had helped to fashion, and was keyed to reminiscences of his exciting past.

But I was mistaken. With the keenness of eternal youth, Lloyd

George was concerned with tomorrow. The importance, for all of us, to comprehend the world that is dawning was the theme that he emphasized. He said that the differences between the English and Americans were as broad and deep as the Atlantic; that though we spoke the same language, the self-same words conveyed a different sense to American and British minds.

The contours of England's economy, Lloyd George explained, were already formed when places like my own Spokane were still pioneer villages. "You Americans can look around you and see on all sides what individual enterprise has contributed to your economy, and you will want more of it, not less." But the British are not so keen on opportunity and abundance; security, even on a modest scale, is closer to their hearts.

"Many of you Americans," he said, "make a mistake when you come to England in thinking there is any basic difference between the British Conservative party and the British Labor party. Essentially the economic views of the two parties are much the same: both look to a future which envisages a rapid acceleration of the role of the state in economy. The Conservatives are reconciled to it and think they can control it. The Labor party is pledged to it. The real difference in economic views between the English political parties has always been between the Liberal party on the one hand and the Conservative and Labor parties on the other."

The great mistake he made when he was Prime Minister after the war, Lloyd George added later, was to try to go back to free enterprise in England. "The English people do not want it, like you do in America," he said. "Your freedom of enterprise and stimulation of individual effort have been accelerated by your homestead laws, free land, and expansive country. You are still growing and developing. As a matter of fact, one of your problems in America will be to grow up to your enormous productive capacity. You still have no idea yourselves of how immense that capacity is.

"We in England, on the other hand, are on a tight little island

with few natural resources, with no available land, and we have perhaps reached the apex of our productive capacity.

"If I were Prime Minister again, I probably wouldn't try to resist what now seems to be an irresistible trend away from free enterprise in my country. But you Americans will resist. Good for you! Each country will have to go about working toward its economic objectives with its own tools. The important thing is to understand that there are basic differences and then learn to co-operate in spite of them. The future of mankind hinges upon our ability to understand and work with each other."

We were able to measure his summation against our experience in discussing and arguing with Britishers of every political denomination and economic school.

Professor Harold Laski, left-wing official of the Labor party, favored immediate nationalization of about one half of British economy. More moderate laborites envisioned a smaller fraction. But that, obviously, was a variation in the speed of converting private into public business, not a difference on the issue itself. Laski, and some other labor leaders with whom I discussed the subject, favored socialization of the banks, the land, the railroads, the mines, and all privately owned utilities. A few leftists frankly enlarged on their theory that, in addition to government monopoly, private monopolies in other fields were desirable. When economy is thus concentrated in a few hands, they said, it will be easier to "take over" when full socialism becomes the order of the day.

Businessmen, for the most part, acknowledged that railroads and mines would be taken over entirely in some form. Generally they accepted this without the regret that American businessmen would have expressed under similar circumstances. These two industries have long since passed their maturity in England and are suffering from all the ailments of old age. What really jolted our brand of individualism was the realization that these businessmen complacently took it for granted that the government would assume full responsibility for the development of

television, just as it had done for radio broadcasting. Where Americans assumed that aviation would open up new horizons for private enterprise, these Britishers assumed that the lead in air commerce would most likely be taken by their government.

My persistent defense of free enterprise—for America, for Britain, and for the world—apparently made me an arch-conservative in British eyes. A hankering for monopoly and restrictive combinations, sign of an economic “tory” in the United States, seems fairly standard economic progressivism in England.

On numerous occasions I had to defend and explain our distaste for monopoly as a basic element in American economic life. Outside our frontiers, apparently, the popular American reaction against the cartel system exposed by the war crisis has not yet been understood. That reaction might be summed up as astonishment shot through with anger. Britishers, and many other foreigners, have failed to understand that our anti-trust laws are not demagogic devices exacted by the masses, but natural implements of the American system.

In outlawing monopoly our purpose is not to “curb business” but to stimulate business. Though it has been used by politicians for its populist appeal, anti-trust sentiment is as widespread among our businessmen as among the masses. Indeed the most extensive suspension of anti-trust principles in peacetime was put into effect by the group that came to be known as the New Deal and not by a “conservative” administration. When the N.R.A., embodying that suspension, was declared illegal by the Supreme Court, the applause was loudest in business circles. We distrusted economic power in private hands if only because it seemed to us a certain road to concentrated government power.

The United States is the only great capitalist nation that definitely seeks to outlaw monopoly, and that helps to define the special character of our capitalism. Though Britishers used words like “co-operation” and “agreement” to describe their economic combinations, an American had no trouble in translating these into the language of price fixing, allocation of

markets, suppression of competition at the expense of the consumer public. Perhaps it is only natural that extremely wealthy and powerful Britishers who favored their own private monopoly often spoke complacently, or even approvingly, of nationalization of the railroads, mines, utilities, civil aviation.

They saw nothing reprehensible in the fact that the British Government steps in to save large corporations from bankruptcy. When I indicated doubts of the wisdom of such intervention, one of my new friends exclaimed:

"Now, Mr. Johnston, in your country you know perfectly well that your government wouldn't permit the General Motors Corporation to go bankrupt."

"In peacetime," I replied, "we certainly would!"

That is another aspect of the American competitive system that outsiders find it hard to understand. We take seriously the fact that ours is a system of profit *and* loss. We attach no special value to longevity in business as an end in itself. If a company, large or small, has been mismanaged or has shown itself unsuited for its time, its exit from the business scene is accepted as a natural phenomenon. The stockholders who invested for profits were also prepared for losses. Such a company is in quite a different case than, let us say, banks to which money is entrusted by the public for safekeeping.

In following the evidence of the British drift toward government control I could not help wondering to what extent it was a symptom of sheer physical fatigue. Of the magnificent morale of the people of England after four years of war there could be not the faintest doubt. The will to victory seemed to me firmer than ever. But the ordeal had taken its toll physically. Perhaps when their diet is again adequate and the effects of terrific exertions have been overcome, the spirit of Sir Walter Raleigh and Sir Francis Drake will again dominate the British Empire. This spirit of enterprise made England great. It made a small island off the European continent a homeland for civilization. It

dispersed law and order and justice to the far corners of the planet.

The present mood, however, cannot be traced entirely to the war pressures. Much of it predates the war; some of it has been in the economic landscape for generations. Benton expressed a vital difference between American and British attitudes perfectly, I thought, in conversation with a Liverpool businessman. The Britisher referred proudly to a shipping concern which had started with "only 50,000 pounds capital" and now operates eighty ships. On inquiry it appeared that the start had been made more than eighty years ago.

"Your comment illustrates a difference between our two countries," Benton said. "You believe in *capital*; we believe in *capitalism*. You think capital is more indestructible than we do. You think capital is more important—in your social life and your business life. We believe in shirt sleeves to shirt sleeves in three generations as part of the natural destiny of man. We believe that capital's primary function is to underwrite and reward the enterprise of man. We put initiative of the individual first, and think of it, not of capital, as the prime essential of a dynamic capitalism. You put capital and security of income first. You are astonished because a Liverpool company, started eighty years ago, with only fifty thousand pounds of capital, now owns eighty ships. We would expect a company, started with that much capital that long ago, either to be infinitely larger today than the British example or to be out of business completely. We expect mobility of capital and society and of opportunities. The British expect a static capital society with few opportunities."

I am underlining these contrasts between British and American economy and economic philosophy chiefly, I confess, for the light that they throw on the American system. It may help the reader, as it helped me, to appreciate more deeply the unique character of our people's capitalism.

But serious as the differences may be, the areas of agreement

and similarity are even greater. I am fully convinced that there are no insurmountable obstacles to British-American co-operation. The two nations do not need formal covenants and official alliances. Alliances breed suspicion—and counter-alliances. The co-operation of the English-speaking nations can best be guaranteed by their genuine mutual interests. It will deepen and expand in all directions in the process of working together, meeting concrete problems and exploiting concrete opportunities in a spirit of friendship without sentimentality. The simple fact happens to be that Britain and the United States of America have more to gain and less to lose by being economic allies than by setting up as economic enemies.

There are two paths open to them and to all other trading nations.

The first is the path of restricting and apportioning world markets; repressing the industrial progress of now backward nations ripe for modernization; turning over to government bureaucracies the responsibility for world commerce. It is the path that must lead to ruthless rivalries, colonial regimes, imperialist intrigues, power politics, and force as substitutes for normal and natural competitive processes.

The second is the path to a growing, thriving, productive world. That involves concerted help and encouragement to now backward nations and regions, in the awareness that their progress will bring them within the sphere of profitable foreign trade and investment—*will make them better and better customers*. This is the path that leads to a more abundant world, not through the impoverishment but through the enrichment of all countries. It is the path on which the industrially advanced nations have a stake in improving the condition of more primitive regions rather than in keeping those regions "in their place."

The second is a path which Britain and the United States in particular can follow together. For instance, we have more capital than Britain, but Britain has more knowledge of the intricate mazes of international credits, exchanges, and finance.

We have the greater wealth; they have the greater experience. Let us pool them!

The capital involved should be private capital—free capital, competitive capital. Let us recognize, also, that nationals of other countries where the investments are to be made have some capital of their own. They also have a lot of the resources and energy to add to this pool of co-operation. While in England, I therefore suggested that in certain circumstances there might be a marriage of American capital and British assets wherever feasible after the war.

What applies to Britain applies to other nations. What I am attempting to sketch is a pattern of mutual help within the framework of free economy.

2

At a formal luncheon in London given by the Association of British Chambers of Commerce, the Minister of Production, Oliver Lyttelton, spoke out candidly on the matter of unimpeded trade with America. Foreign commerce, he explained in polished periods, is a two-way street; as the only great creditor nation, the United States could not reasonably retire behind tariff walls and barriers of special privilege.

Six other British Ministers were present, and prominent business leaders had come to the gathering from Manchester, Liverpool, Aberdeen, and other cities. It was, of course, a tribute to America rather than to myself, and an impressive index to the anxiety with which the leaders of our chief ally seek indications of American business policies in the postwar period.

American prosperity is essential to British prosperity, I was told repeatedly by economists and political spokesmen. I was able to say, in all sincerity, that the reverse is also true: British prosperity is essential to American prosperity. More than ever in the past the destinies of nations are sure to be intertwined. They will "sink or swim" together.

But the awareness of this is sharper in London than in New York, in Manchester than in Chicago. Britain has hocked or sold most of its foreign investments to finance the war. It has become a debtor nation. It must sell more goods abroad than in the past to restore the equilibrium. With us foreign trade is secondary; the home market accounts for over 90 per cent of our business. But Britain must sell abroad to eat. One can understand the misgivings with which Britishers confront the future.

Lyttelton, in introducing me, made a plea for that "ungrudging and generous co-operation which has been so strikingly exemplified during the campaigns in North Africa and in Sicily." Underscoring the creditor position of the United States, he added:

"After the war, when our two nations are endeavoring to build up and expand the volume of international trade, this will only be possible if the creditor nations—and I hope we may one day take our place among them—are prepared to lend to undeveloped countries and are prepared to permit certain imports to come freely into their country to provide the service of the debts which are created, and to keep the whole international machine in equilibrium."

In my address, carefully prepared in advance, I sought to cut through the protocol of formalities. I was determined to "talk Spokane." Reciprocal frankness seemed to me both a sign and the support of true friendship. I began by reminding my British listeners that we Americans are a nation of ebullient localities, and of sections which have a sort of regional patriotism of their own. While there are many and significant resemblances between the two countries, there are also serious differences; only by understanding those differences can we break through them and arrive at true terms of friendship.

One of the significant differences is that Britain is more of a unit than the United States. The British financial system contributes to this unity. Its great banks have branches all over Britain, whereas our ideal, emphatically exemplified in practice,

is strong, independent banks in all localities. The London newspapers are widely read all over Britain. Few Americans outside Washington, D.C., ever regularly read a newspaper printed in our national capital; even our great New York dailies have no mass circulation outside the metropolitan area. All British radio stations are owned and operated by one public agency, the British Broadcasting Corporation. Our stations are all privately owned and operated under hundreds of different independent local ownerships.

The British national government is truly and completely sovereign. It can do anything. Ours cannot. It has only such powers as the people may have given it. The most striking clause in our national constitution, indeed, is that all "other powers" continue to reside in the states or in the people. It is a great error to describe the United States as a sovereign union of sovereign states. In the United States it is the people alone who are sovereign. The people of each state give to their state government what powers they please, and they retain the rest. The people of all the states together give to the national government such powers as they please and they retain the rest.

This consciousness of and practice of popular sovereignty—of the power to *give* powers to government and above all to *withdraw* powers from government—is the basic political fact of America. Add to it our sentimental localism, and our diffusion of banking power and of the power of radio and the press, and what do we get? We get an American who acutely questions all centralized dominance in *any* field, and who is forever conducting crusades to break down private monopolies and public bureaucracies alike. He does not believe in irrevocably surrendered powers, whether political or economic. He regards all powers, in government or in business, as subject to constant revision—by himself.

Now what this American is in America, he will also be in international affairs. You do not change the spots of a leopard by putting him into a zoo. One of the most pernicious fallacies of a

certain sort of world planner is his belief that if he can just put leopards, lions, antelopes, and elephants into the same international cage they will immediately crossbreed into one kind of international animal.

I then proceeded to identify a few of the "spots" on the American leopard. The first is the average American's unshakable conviction that out of many races our country has made a new race. There is ample evidence in history that a common language has not prevented a series of conflicts between Britain and America—it would be sentimental childishness to count on Anglo-American blood relations as a guarantee of co-operation. This war has taught America that "the ramparts we watch" no longer terminate at the water's edge. I am among those Americans who want intimate friendship and intense co-operation with Britain, and believe that such co-operation is the world's biggest hope for a fair future. I am one of those Americans who feel that even by co-operating we may not solve all of the world's problems but that if we *fail* to co-operate then *none* of these problems will be solved.

But I want to base that co-operation on this reality. The British are pre-eminently a people trading in all continents. Their overseas outposts give them unparalleled facilities for maritime commerce. The United States of America fronts on both the world's great oceans, the Atlantic and the Pacific. We stand midway between the developed European continent and the undeveloped continent of Asia. Apart, the British and we can turn into bitter rivals. Together, we can be the world's mightiest force for lifting all regions of the world toward a higher level—not only a higher level of prosperity and material welfare but of enlightenment and betterment.

Britishers and Americans cannot co-operate on the basis of racial sentimentality. We do not like racialism when we see it in the Germans, and we ought not to like it in ourselves. But we can and will co-operate if we aim our co-operation at a *good* world purpose.

The second of the "spots" to which I drew attention was the deep-seated American opposition to private artificial monopolies. We recognize that there are some natural, inevitable monopolies, such as the telephone service. But where competition is possible, we are determined to maintain it. No American, therefore, can intelligently and sincerely promise co-operation in any system of world-wide cartels. Our law is unsympathetic toward it and our temperament is hostile toward it. The average American would call it economic imperialism, and he is against it.

Similarly he is against political imperialism. President Roosevelt's Good-Neighbor policy toward Latin America is no mere personal whim. President Coolidge began the Good-Neighbor policy by withdrawing our Marines from Santo Domingo. They were withdrawn also from Nicaragua and Haiti. We surrendered to Cuba our treaty right to intervene in Cuban affairs. We have pledged independence to the Filipinos on a definite date. We are in full retreat from the political imperialism into which we were plunged by the Spanish-American War and President McKinley, and the average American has no ambition whatsoever to return to it.

This does not mean that the average American wants to tell the Britishers what to do with their British Empire. We were entertained, if not persuaded, by the characteristically forthright and stubborn fashion in which Mr. Churchill announced that he had not taken office to preside over the liquidation of that empire. But it did not shake our fundamental anti-imperialism.

Americans have no inclination to revise your economic or political methods in international affairs, I told this British audience, but they do not intend to revise theirs. They do not intend to practice or to promote political dominance or economic dominance by people over people anywhere. But only extreme and unrepresentative theorists in the United States want to start with a new heaven and a new earth. All other Ameri-

cans want to start with things as they are and then see what co-operation is possible between Britons and Americans. This can be accomplished without injury to conscience on either side, and with benefit not only to both sides but to other peoples as well.

I think I can see a quite sure chance of co-operation of that kind in our third "spot"—the fact that the normal American is a natural boomer and booster; and this boosting quality can be turned in an international direction. In fact there is in America already great interest in seeing what can be done to build up the earning power and consequently the buying power of those regions of the world where today local buying power is scanty. You cannot sell many sewing machines to Paraguay Indians, for instance, unless Paraguay has a strong and thriving economy of its own. Hence in America today many active businessmen are considering not merely how to sell things to Paraguay but how to promote Paraguayan development by Paraguayan energy.

For the name Paraguay we could substitute the names of at least thirty other countries that need an internal impetus upward. I am not talking about philanthropy or gratuitous expenditures for brushing the teeth of so-called backward peoples. I do not want to make those peoples into wards of the great nations. I am against the arbitrary economic power which would exploit them, but I am equally against the condescending economic power which would try to pauperize them. The undeveloped regions of the world want our American and British capital, but they want to mingle it with capital and representation of their own.

Referring to Latin-American leaders who had told me of their determination to rise from economic colonies to economic independence, I said:

"I do not fear that kind of talk. I welcome it. The further a country progresses from economic backwardness to economic forwardness, the more it will buy. You are one of the most

highly industrialized countries in the world, and you are our best customer."

In the co-operative effort to lift regions now on a low level I urged that the capital employed shall be *private* capital, *free* capital, *competitive* capital. And I concluded with these words:

"I believe these are premises upon which your enterprisers and ours can unite. Such a course, certainly, would be another vindication of a principle of development that is firmly rooted in the thinking of the average American businessman. He believes that everybody ought to have a good home town. For him it is no jump at all to the idea of a bigger and better Chungking, or Teheran, or any other place that could be made bigger and better, with lots of people owning their homes, buying more refrigerators and farm tools. He understands all that in a flash.

"And has this nothing to do with peace? I say it has everything to do with peace. Behind the concept of a bigger and better home town there is a vision toward a good country—and, ultimately, somehow, a good world.

"Therefore I make no apology for our American localism. I take pride and comfort in it, for it holds the germ of a soundly based world hope. It is close to the lives of men and women. We talk too much of *peoples* in the mass and not enough of *people* who make a locality. You will never get a good world except through good localities; you will never get good localities except through good people; and you will never get peace except through a good world.

"A good world, based on good localities—a healthy and prosperous whole, based on healthy and prosperous parts—this will reveal to skeptical and wearied human eyes the basic truth upon which peace must be built: the truth of the eternal sameness of human desires and aspirations. And that, after all, is the truth of man's essential brotherhood."

CHAPTER XVII

Many Worlds

It is with deep humility that I approach this chapter, on our country's relation with the rest of the world. There is unfortunately little of this humility in the cocksure, dogmatic spirit in which some Americans prescribe for the future of the whole planet. We have performed brilliantly in some things at home; in others our record is far from perfect. Does this justify the belief that we could set up as universal fixers abroad?

My own direct experience in foreign affairs has been brief—but not too brief to confirm the suspicion that we live in a most complex, disjointed, and contradictory world. In recent travels I have been less impressed with the “oneness” of the world than with its dizzy multiplicity. Space has been telescoped by the airplane, but the differences between nations and peoples are as formidable as ever. Places separated by only a few hours' flying are too often separated by centuries of history.

What is “truth” in one place is regarded as the essence of falsehood in another; what seems just from our standpoint may seem iniquitous from the other fellow's; one nation's reasonable expediency may be another's deadly poison.

No blueprint for “world order,” however nobly intended and brilliantly plotted, can fail to spell disorder and injustice for some countries. The American statesman who offered a pint of milk a day to the whole human race meant it only symbolically, of course; but the fact that the Chinese and other peoples don't drink milk might be accepted as a symbolic caution to over-ambitious planners.

As a nation we are today conscious of immense new strength and stirred by a new feeling of responsibility. This is all to the good. But we should be helping neither the world nor ourselves if we let these things go to our heads. As a brake on zeal, at least two reminders are in order:

The first is that the American way of life, in economy and in government, is not a universal export commodity. It is the expression of our own history, of special American conditions, of our heterogeneous population. We had best reconcile ourselves to the infinite diversity of social structures and national preferences.

The second is that despite our colossal weight in world affairs, we are far from outbalancing the rest of the nations. The voice of America is listened to, but it is not a solo; it must be harmonized with the chorus of nations. American plans and American objectives, even if we achieved agreement on them at home, will settle nothing abroad. Our willingness to co-operate must never be stretched to mean a willingness to forget our own interests. But neither should it be forgotten that co-operation implies compromise. The self-interests of other nations represent legitimate limitations on our own power.

The winning of the war must take precedence over everything else. The victory, however, will be only the prelude to new struggles and new dangers. Already the fires of civil conflict in many parts of the world can be discerned through the larger conflagration of the great war. A vast number of difficult problems have been obscured or suspended during the war. Problems in India, China, the Balkans, Latin America; problems of empire, frontiers, race antagonisms will reassert themselves in sharp forms when the smoke and fire of the holocaust have been quenched by the defeat of the Axis.

Our decisive participation in the war, it seems to me, does not give us either the right or the ability to settle these multitudinous matters. It is infantile to expect the war and the victory to cure all the world's ills. We should be grateful to Providence

if they do not load us down with new ills. Many countries are working together to put out a fire that threatens to raze the house of civilization. But there is no reason for assuming that the defective plumbing and the drafty windows will be fixed in the process.

There is danger in setting too many and too lofty goals for the postwar period. There is danger in making too many promises: either to ourselves or to our allies. The most sensible way to prevent bitter disillusionment is to avoid sweet illusions. We can be perfectly sure that after the victory this will still be a far-from-perfect planet. The familiar human greeds, prejudices, and mistakes will not be automatically abolished; some of them, indeed, will have been intensified by the war.

In line with American common sense, I believe, we should set our sights in the real world, not in a dream world. We must make manifest to ourselves and to others America's readiness to pull its share of the weight in international affairs. But we must get over the puerile notion that in doing so we are somehow being noble and high-minded. American participation in a world organization to prevent war, should such an organization emerge, will not be a philanthropic "internationalist" policy. It will be an American policy designed to save our own skins. We are anxious to prevent the kind of devastating wars that have afflicted us and all mankind twice already in this century.

In seeking to raise the material well-being of all countries, likewise, we are not setting up as the Santa Claus nation. We recognize the importance of postwar reconstruction and relief not only as humanitarian measures but as elementary hygiene, intended to prevent the start and the spread of political and economic epidemics which would inevitably menace our own political and economic health. Countries sunk in chaos and poverty are the breeding places of Mussolinis and Hitlers and new world wars.

The temptation to withdraw from the world and let it "stew in its own juice" is a powerful one. We yielded to it once before,

If we resist it now, as I am convinced we shall, it will be because we cannot afford to do otherwise. We cannot afford the disorders, anarchy, and desperations which would ensue.

Once before we won a war and lost the subsequent peace. A new American generation is being tested in the fires of battle. Again American manhood is making of its body and its courageous spirit a wall to dam the flood of barbarism that threatened to engulf us all. But our pride and glory in the boys "out there"—on land, at sea, and in the air—are not unmixed with a gnawing sense of guilt. In our heart of hearts each of us is aware that this new generation is called upon to finish a job that somehow, someway, we failed to carry through to a successful conclusion. We recognize inwardly that our sons are obliged to shed their blood, in part at least, to make up for the shortsightedness of their fathers, to atone for our national smugness.

Having won a superb victory in 1918, we failed sadly in the years that followed to safeguard that victory. Before grass had sprouted on the graves of our heroic dead, we allowed partisan dissensions to upset the fine unity with which we had faced the world in the crises of war. Worse than that, in a kind of weariness of spirit we sought escape from national responsibility by entering a world of delusions. Though we had just overcome a threat across the Atlantic, we preferred to believe that the Atlantic and the Pacific were impregnable ramparts and that we could therefore remain indifferent to events in other parts of the globe.

Also, we lulled ourselves into a false sense of safety. Though America is the cradle of modern aviation, we left it to the nations of Europe—and especially to the dictatorships—to develop true air power. Although ours is the most highly industrialized country in the world, we left it to others to turn technological progress into modern mechanized military power. Had the United States possessed even a fraction of the military might implied by its size, its resources, and its stake in world

peace, it would probably have acted as an effective brake on the ambitions of would-be aggressors.

Can anyone doubt that our military weakness was one of the factors which encouraged Japanese depredations in Asia, Nazi German aggressions in Europe, and the global explosion in which we were soon engulfed?

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If there is one simple fact that ought now to be underlined it is that these United States do not propose ever again to be caught with their defenses down. We must permit neither the mirage of distance nor the fairy tales of our indifference to world affairs to strip us of an army, a navy, and an air force commensurate with our true place in a shrinking world. We do not intend to be the first to sink our fleets or ground our air forces and thereby invite the rise of new aggressors.

A new world order cannot be created by fiat, as a seven-day wonder. Whatever the framework of world organization, America must be a strong element within that framework. Theorists in the democratic nations have a great weight on their conscience, though not many of them have admitted it. In the name of noble theories they shut their eyes to ignoble facts. While dictatorships of every color piled up armaments, we of the democracies allowed our defenses to crumble. It used to be customary in certain circles to blame war on "the capitalists"—the munition makers, financiers, producers of raw materials. But the present world conflict can be charged more reasonably against the delusions of pacifists and the peddlers of panaceas. Their influence helped to disarm the great democratic nations, leaving the roads to aggression wide open.

In the two decades between the two world wars we left ourselves disarmed not only in the physical but in the moral sense. We refused to shoulder the responsibility which goes with national greatness. Instead we took the easier and more com-

fortable course of pretending that crimes and horrors in places as far away as Germany and China were no concern of ours.

We now have fought two wars as proof to the contrary. It seems to me that all but a few Americans have recognized that their country has a direct stake in law and order, in decency and prosperity, all over the planet. The very fact that America is no longer smugly indifferent—that it acknowledges its share in the maintenance of world order—should serve as a stabilizing and pacifying force. That seems to me the irreducible minimum which our country must accept.

That, however, does not mean unabridged and reckless commitments of the sort that some of our more excitable prophets and planners are demanding. It is, I suppose, characteristic of American enthusiasm that we should swing all the way from “no entangling alliances” to pyramided alliances and entanglements—from utter indifference to the problems of other nations, to a desire to marcel the hair and paint the toenails of the so-called backward peoples.

This isn't a world that you can take apart and put together again like a jigsaw puzzle. If we hope to steer a safe course through seas of tomorrow's confusion, we can do so only in a sturdy ship of state with a strong hand on the steering wheel. Above all, we must not mistake shallows for deep waters or shimmering panaceas for safe harbors. I am convinced that after this war we shall still be living in a most imperfect world, as far as ever from the millennium. And under these circumstances our chief reliance must be upon our own strength, our common sense, and our co-operation with other peace-loving nations of the world.

Without pretending to be a specialist on international affairs, I want to say a word for moderation, for common sense, for American self-interest. I feel I bespeak the opinion of most Americans when I say that we can be good neighbors without moving into our neighbors' homes. We can help to make and maintain a world-wide mechanism for heading off major wars

without attempting to settle all the domestic and dynastic squabbles of every large and small country. We can offer temporary relief to stricken peoples without making relief or world-wide W.P.A.s permanent American policies. We can do our share in maintaining the over-all peace of the world without making permanent military alliances with any one nation that would alarm other nations.

There are no miraculous solutions of the gigantic interrelated world problems. American policy will of necessity have to be shaped in the crucible of events. It must be flexible enough to meet changing conditions. But there is no safety for ourselves or for the world unless we accept some guiding principles. The most important of these are collaboration with other peace-loving nations to prevent war; co-operation in the relief of stricken people and the reconstruction of stricken nations; the removal of barriers to healthy two-way foreign trade.

The maximum economic welfare of all nations is the best possible peace insurance. That welfare, in turn, depends in the first place upon each nation's own productivity. Not charity, not handouts, but domestic prosperity is the fundamental condition of a stable society. But no country is self-sufficient in this complex technological era. Neither the United States nor Russia, which come closest to being economically self-contained, can actually cut itself off from the products of the rest of the world. National autarchy has proven itself an empty phrase. The nation that builds a Chinese wall around itself must install guns in that wall and must build a bomb shelter as well against the air power of the excluded world. Foreign *commerce*, of course, represents less than 10 per cent of our nation's business, but foreign *affairs*, we had best recall, give us more than 90 per cent of our headaches and cost us 90 per cent of our taxes.

True, not all walls can be indiscriminately leveled. The economic millennium cannot be ushered in overnight any more than the political millennium. American policy has been wise where it has earnestly consulted with other nations, worked out recipro-

cal agreements, and surveyed economic areas where relations can and should be liberalized. Obviously this process is not only a government enterprise—those who participate in international commerce, here and in the other countries, should be consulted. Again, it is the principle of maximum freedom of trade that should be established; the details can be worked out only in practice.

That is what I mean in speaking for moderation based on fundamental principles. Rosy-tinged and gold-lined promises can only peter out in disillusion at home and abroad. American heartstrings and pursestrings have always been close together. But we shall be doing no one any good, in the long run, if we adopted any other nations or areas as permanent wards. In turning them into paupers we should lose them as friends—and as customers.

The know-nothing "isolationism" of before the war is dead in America. Where it survives it already has the musty smell of a museum piece. The question is no longer how to cut ourselves off from the world, but how best to implement our new and universally acknowledged relation to that world. We want an enduring peace for the whole world because we know that war can no longer be confined and localized. We know, to use Litvinoff's phrase, that "peace is indivisible."

But the end of isolationism does not mean the beginning of reckless and nagging intrusion on other people. I return to my starting point: the need for humility and restraint in an exceedingly complicated world.

I am not alarmed by the existence of other economic and political systems and have no fanatic urge to make this one uniform world. Precisely because I have a deep faith in our American people's capitalism, because I believe it offers greater hope, happiness, and opportunity than any other system ever devised by man, I can see no cause for fear in the existence of a more or less communist system in Russia or in the seeming emergence of a cartelized government-business partnership in

Britain. In that domain, too, I am willing to take the risks of competition as between national systems, convinced that America can hold its own.

During the historical three-power conference in Teheran, Marshal Joseph Stalin found occasion to remark that without American production the United Nations could not win the war. It was the statement of an obvious fact, but dramatic in that setting and from that source. Coming from the ruler of a nation that had already contributed many millions of lives to the common victory, the simple admission that our country's industrial genius was the telltale element in the greatest war of all times deserved the attention it received in the world press.

A few months later the head of the American communist movement, Earl Browder, officially postponed "the revolution" in the United States of America. He announced his party's sad conviction that free enterprise remains the dominant force in this country; he even advised his embattled legions to "lay that pistol down" and make truce with the capitalist order. Whatever his motives, it was grudging confirmation, from the extreme Left, that our people's capitalism had regained its old health and vigor.

As Stalin conceded, production is the decisive factor in a modern mechanized war. He might have added that it will be, no less, the decisive factor in peace. When all is said and done, the nation that creates more goods will have the highest standard of living. We Americans enjoy that distinction today. It is a distinction of which we have every right to be proud. We are determined to maintain that leadership in terms of popular living conditions—not by holding down other nations, but by achieving ever-higher levels ourselves.

If the magnificent showing of the Russian people in the war is any test, they can be expected to compete for that leadership. Too many of us have underestimated the Soviet Union's military capacity and its industrial strength. We must not compound the error by underrating that nation's economic vitality after

the war, at least once the terrible wounds inflicted by the invaders have been healed.

Russia and the United States will represent two extremes, and their inevitable competition for world markets will have about it something truly titanic. One is history's greatest democratic capitalist society, the other the greatest collectivist society ever known; one is people's capitalism at its best, the other state capitalism at its strongest.

Americans do not shrink from that mighty test. We welcome it just as a well-trained athlete eagerly looks forward to a competitive test of his prowess. Fully aware of Russia's emerging force and productivity, we confidently put our faith in the American way of life.

It is not impossible that in the postwar world our country may become an island of free enterprise in a sea of socialized economy. If that comes to pass, we shall obviously be confronted with knotty problems of adjustment in our relations with world economy. But they will not be insoluble problems. Once before we were an island—a smaller and weaker island—in the world. That was toward the end of the eighteenth century, when we adopted democracy as a way of life at a time when all other nations were monarchies or oligarchies. We not only survived but thrived on the experience. The American example was infectious. New democracies arose everywhere. The example of our people's capitalism will be no less infectious.

In any case, there is no necessity for friendly nations to have identical economic structures. We can—and we must—learn to adjust differences in external trade relations, while following our own way internally. In the co-existence of contrasting systems, conflict is by no means inevitable; it is a race between education and catastrophe—and education can win out.

A tentative American program for its international relations in the postwar period, in my humble opinion, must include:

1. Frank acceptance of obligations in maintaining world peace,

through some type of multilateral organization and including, if necessary, co-operative policing of danger zones.

2. Effective military preparedness as insurance against the possible failure of such world organization and as a deterrent to would-be aggressors.

3. Tolerance for the political and economic systems of other nations, and non-intervention in their internal affairs.

4. The maximum encouragement of world trade consistent with American interests.

CHAPTER XVIII

Crisis in Morals

I was told recently about an American soldier who visited the ancient ruins of Pompeii, outside Naples. "Pompeii is a gyp," he wrote his folks in effect. "Its ruins are peanuts compared to what our bombers did in Naples."

Man has come close to outdoing nature in the matter of wholesale killing and destruction. The charred ruins of Stalingrad, Hamburg, Belgrade, and Chungking; the thousands of new ships crammed with munitions and men that cover the floors of the seven seas; myriad other grim monuments to scientific annihilation prove that technological progress can go hand in hand with moral decay. In our pride over mechanical perfection we had better recall that the Nazis—who renounced human decencies and glorified mass murder of innocents—were our equals and sometimes surpassed us in using machines.

The devastation that has swept the world in our time is not alone physical. It cannot be measured solely by cities destroyed, countries ravaged, populations uprooted and slaughtered. No less serious has been the vast moral and spiritual devastation. The weakening of spiritual fiber all over the world preceded the physical disasters.

We may survive physically, but we shall be *moral casualties* if in the process of winning the war we lose any portion of our hatred for its brutalities and its sufferings. Of all the horrors of war perhaps the most horrible is to become insensitive to horror. In the preoccupation with slogans, propaganda, postwar

planning, let us never lose the tragic sense that war is hell and that no price is too big to stave it off. Let us beware lest we grow cynical, lest familiarity with death makes us contemptuous of suffering.

In addition to being Americans, we are human beings. In addition to being the children of our country, we are the children of God—and mind you, He is not exclusively an American God. In this travail of all mankind there can be no frontiers to the feelings of pity, sorrow, and human sympathy.

The greatest crime of the fascist vandals who unloosed the scourge of war is that they have tried to banish goodness and pity and truth from the earth. In the creed of Hitler and other totalitarians, the torture and murder of people are regarded without disgust; in fact, with a perverted glow of pride. Lying is not only permissible, it is ranked above truth as an instrument of policy. A large portion of the globe is today under the bloody heels of men who apply oppression, terror, and methodical robbery with cold scientific precision; men who have made a religion of devious thinking and brutal action; men who consider the most repulsive means as justified by the end in view.

To fight off the attack of these moral vandals we have had to resort to war. We, too, have been forced to look upon human beings as so many digits in a statistical equation, as "expendables" for the attainment of victory. There is unhappily no other way to fight wars. It is kill or be killed, bomb or be bombed.

But there is this difference between ourselves and our totalitarian enemies across the Pacific and across the Atlantic. *They* look upon war as the normal and desirable state of affairs. *We* look upon it as a terrible and hateful interruption of the normal and desirable ways of life. *They* glorify mass killing. *We* undertake it reluctantly and sadly as a last resort. *They* have used war as a method of aggression. *We* have taken it up as a means of defense. It is the telltale difference, the saving grace.

The danger we must guard against is that the enemies' moral corruption may enter our blood stream. Even where we are

obliged to use their methods, we must not allow their attitudes to sully our philosophy of life. Victory will avail us nothing if in the process of attaining it we lose our perspective and permit the contagion of amorality to infect our own hearts and minds.

The two decades between the first and what we hope will be the last world war have been a period of cynicism and little faith. In the enslaved and dictated countries cynicism found its most complete and ugliest expression. The torture and extermination of the race that gave mankind Moses and Christ, the Ten Commandments and the Sermon on the Mount, have been signs of the new moral barbarism. They were only the largest of a long series of affronts to man's moral nature.

But this degradation has not been confined within the borders of totalitarian countries. In some degree it has tainted the whole world. Moral horror of this order cannot exist in any place without poisoning the whole earth with its polluted breath. Even among us in America there have been symptoms of moral weakness and decline.

During these decades it became "smart" to question moral values, to "debunk" traditional virtues, to rationalize brutality, to make excuses for moral indignities. We have heard men sneer at freedom and make light of democracy. A lot of us forgot that our code of morals, our respect for truth and fair dealing, are not arbitrary laws imposed from the outside. They are the products of thousands of years of human experience—the quintessence of the wisdom of the ages. To violate this code brings disaster as surely as the violation of the physical laws of nature brings disease and death.

Now that we can look back at recent years from the midst of a world catastrophe, I think it is evident that our moral deficiencies were expressed in the smug calm with which we watched—or diverted our eyes from—crimes committed against the Chinese, the Jews, the Czechs. Somehow we were able to look upon these depravities as a menace to others—not to ourselves.

Somehow we succeeded, in our feeling and thinking, in cutting ourselves off from the rest of mankind.

That is how it happened that mortal danger found us unprepared. *Moral complacency was at the bottom of military complacency.* Much of the death and horror which we are now going through with the rest of the nations can be traced to indifference to death and horror in the past. We could not summon enough moral resources to protest, to sacrifice if necessary, to risk in defense of a neighbor.

To the extent that we have yielded to the wave of cynicism we have contributed to the great crisis of our epoch, which came to a head in the most destructive war of all time. It has clearly not been merely a political or economic crisis. It has been also a spiritual crisis. An evil wind has blown through the world and the havoc it has wrought in our souls is mirrored all around us in physical destruction.

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We are hearing a great deal of discussion—necessary discussion—of the global war and the global settlements to come. But the globe is only the sum total of its parts. The nation is only the sum total of its families. And every family is the sum total of its individual members. In this sense every one of us is the center of the world.

No matter what fine plans for the government of affairs may be set up, the world will never be any better than the men and women who compose its population. The most elaborate and ingenious schemes for safeguarding peace and spreading culture are doomed to failure if the people who put the schemes into operation are brutalized, rotten with hates, and devoid of honor. The effort to end forever the periodic orgies of mass killing called war cannot be carried through to success by people who hold human life in contempt.

Too many people who have a feverish interest in reforming

the social system are strangely unconcerned about the needs of their neighbors. Too many people who get excited over plans for changing the world will not move a finger to improve conditions in their own home towns. I have written a good deal in these pages about economic systems. Yet I am convinced that the real tests of a society are to be found in personal character—in a wholesome respect for ordinary decencies, in a passion for such obvious and therefore neglected values as justice, fair play, compassion, truth, and simple human kindness.

The foundation of the brave new world for which we are hoping after this catastrophe is over is not in paper plans. There are in the United States alone more than 200 organizations working on plans for the maintenance of peace after the coming victory. Behind this feverish searching is the delusion that once we have found a perfect plan, the rest will be easy and will operate automatically. The search, unfortunately, is as futile as the dream of perpetual motion or the lure of a fountain of youth. No plan to regulate world relationships is any better than the people who use it. The results must depend upon us; upon our healthy sense of right and wrong; upon our new dedication to the simple virtues of everyday life.

Salvation, like charity, begins at home. We cannot all participate in the reconstruction of a shattered world. But we can all take direct part in better government in our own communities. We cannot all take part in clearing the globe of moral debris left by fascist and other totalitarian propaganda. But we can clear its corruption from our souls through a deeper appreciation of democracy and decent behavior in our private lives.

It is unhappily true that the seeds of corruption sown by the enemy before and after the war started have taken root in many minds. There are among us men who preach hatred of this or that minority, who would reap power by sowing trouble between groups and classes. That, too, is a proof of the crisis in morals which, I believe, transcends the war. These are danger signals that the moral health of the nation is not what it should

be. To meet the crisis in morals we must cultivate tolerance—for everything except intolerance.

We need dedication to higher standards of conduct in public life. The word "statesman" must replace the word "politician." Men of the best type must come to feel that participation in the labors of governing the nation is worthy of their dignity and their talents. When that is accomplished, democracy will have come of age.

We need, no less, dedication to higher standards of conduct in business. We must prefer honesty even when it is clearly not the most profitable policy. Only those of short memory or long delusions will deny that the cynicism of unlimited self-interest prevailed in certain circles of business leadership in the lush years of prosperity. It has taken years of economic troubles and the sobering influence of government "crack-downs" to teach these few leaders that the public interest must come first. Labor, too, has had its full quota of cynicism at the top. There have been men in its leadership who reached out recklessly for power, with little concern for the well-being of the rank and file of the membership and no thought of the commonweal.

I am not unduly optimistic about an overnight moral revival. Yet I see here and there signs of greater recognition that there can be no power without duties, no privileges without obligations; a recognition that we cannot as individuals be healthy and prosperous unless the community as a whole is healthy and prosperous.

I have participated in a great many conferences looking toward the prevention of unemployment. The men taking part—industrialists, labor leaders, educators, officials—each have had personal interests to protect. Yet I can attest that the larger purpose outweighed their private purposes. Though we did not put it into words, we all felt that our free economic society, which is the basis of free political society, can survive only if we purposefully seek and find ways for spreading its blessings to the largest number.

That is the moral core of the matter. And it holds true also in political life and in government. For more than a decade the power of centralized government has been expanding. The war has brought that power to an unprecedented height. With the great enlargement of power there has also come a certain recklessness and arrogance in its use. Individual officials have on occasion lost sight of the fact that in our country the final authority rests with the people. To restore moral health, we must avoid cynicism and abuse of power in public life.

The human factor remains decisive. Character is the beginning and the end of all things. Even during an all-out war we must not lose the profound certainty of the sacredness of the human being. When a city is to be bombed or invaded, it makes every effort to protect its most valuable works of art by moving them into places of safety. We must do just that with the great moral and cultural ideals of mankind in this hour of destruction and planned brutality. They represent our priceless heritage.

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Respect for the human being is, in the final analysis, the proof of *self-respect*. It is not only natural, but altogether desirable, that men should place a high valuation on the things that touch them personally. The instinct that forces a man to give first consideration to his own role in the larger scheme of things is nothing to be ashamed of. I, for one, am convinced that people who are negligent of their own lives tend to be a thousand times more negligent of the lives of others.

A normal, balanced, intelligent self-interest is one of the powerful forces in community life. It's what makes the wheels go 'round, especially in a democracy like our own. The essence of that democracy is in the emphasis it places upon the individual man and woman. How can any of us make the largest contribution to the community—to the common pool of human effort

and achievement—unless we strive to make the most of our individual talents, skills, and opportunities?

It is given to a few rare spirits to make a career of self-abnegation and martyrdom. The rest of us, the vast average, can do best for the world by doing best for ourselves. We need have no qualms about being ambitious, because we know that the great achievements of a nation are, in the ultimate checkup, merely the aggregate of the small achievements of its millions of citizens. We must find our justification as members of society, our passports to nobility, in the humble virtues of honest endeavor, industrious self-advancement, and in a clear conscience.

Like most Americans, I feel a certain embarrassment or diffidence in the face of moral values. We are all a little afraid of sounding "preachy." But because of the gravity of this moment—when the earth is soaked in blood, the skies saturated with high explosives, the future of mankind in the balance—we must have the courage of our innermost emotions. Men do not live by bread alone. We need national ideals—in the moral domain—beyond comfort and prosperity.

I believe I am not exaggerating in asserting that Americans value their economic institutions first of all because these are a guarantee of freedom; that they would find prosperity bitter if it rested on the oppression of others; that their test of progress is not enrichment of a few but the improvement of the lot of the many; that the education which produces a cultured elite seems to them sterile, if the mental and moral level of the whole community is not raised at the same time.

We do not need to pretend that the war does not have in it elements of economic and political self-interest. But these are minor; on these we might have compromised. We are fighting not merely because the Axis sought material aggrandizements, but because it launched a direct and deadly assault upon our moral senses. We are fighting, in the first place, to protect the spiritual and ethical ideals which have guided mankind for thousands of years.

It would be an insult to our boys on all the fighting fronts to believe that they are striving for tangible economic rewards or political advantages. And it would be far from the truth. Though they may not be able to formulate it in precise terms, they feel deep inside that they are fighting for Good against Evil, for Right against Wrong, for Civilization against Barbarism. War simply cannot be justified on any lower level.

Our boys will not ask to be "paid off" for their sacrifices. There is no coin in which a pay-off can be made for what they are going through. That, however, does not relieve any of us of the responsibility to provide jobs and opportunities for the returning soldiers, the demobilized war workers, the country as a whole.

The ordeal through which we are passing is a test of our faith—faith in God, faith in mankind, faith in ourselves and in our institutions. The soldier in action does not need to be told that his fate is bound up with the fate of his fellows. There are no atheists in fox holes. The sense of the relation of man to man and man to God is not an abstraction—it is intensely real.

When the ordeal is over and peace comes, we shall need that same sense of common purpose and moral values to sustain us. We shall have need to avoid pettiness and self-seeking, to tap the sources of fortitude and fellow-feeling in the depths of our nature.

The physical ingredients for a better, happier, and nobler America are at our disposal: raw materials, machinery, skills, man power in superabundance. Our task is to match these with intelligence, good will, social idealism, and moral courage.

In the perspective of history it may appear that ours is the tragic privilege of living through the greatest military crisis since Napoleon; the greatest economic crisis since Adam Smith; the greatest social crisis since the fall of the Roman Empire. It is good for our souls to see ourselves in this perspective now—to regard the moment, as it were, through the wrong end of a telescope. There is consolation as well as inspiration in an

awareness of the importance of what we are experiencing. The tragic privilege also carries with it a magnificent opportunity: the opportunity to mold society for greater happiness, deeper relish of life and, above all, enduring peace for all nations and within every nation.

CHAPTER XIX

America Unlimited

After more than a decade of fog, America has again found its native optimism.

Personally, I was born an optimist. I belong to those Americans—and I think they are in the majority—who did not lose faith in the nation's recuperative powers even in the gloomiest years. It is well to understand the nature of that faith, because it is basic to a true understanding of America itself. Though sentiment is part of it, that faith is not merely sentimental. Though instinct has as much to do with it as cold reason, it is not irrational.

That faith, it happens, is rooted in our country's history and fully consistent with a long and triumphant past. It is not illusion or wishful thinking, but a concrete by-product of two centuries of achievement. And it is kept fresh by a common-sense knowledge of the many advantages which this nation enjoys in terms of vast spaces, natural resources, a varied and dynamic population, industrial skills, political vitality, and, above all, release from the ingrown hatreds and festering historical "left-overs" that afflict so many other sections of this globe.

What distinguishes the American variety of optimism is that it is not fatalistic. It doesn't lean back and wait passively for wonderful things to happen. It doesn't consider progress "in the bag." Our optimism is active, always coupled in our minds with hard work, difficult undertakings, problems to be solved, venturesome projects. When we are most enthusiastic about the

outlook is precisely the time we are least inclined to relax. It is in our national character to translate faith into action.

That faith has been justified. It seems to me from where I stand that confidence in American enterprise is gaining ground everywhere. I sense a more invigorating moral and economic climate, an awakening of those entrusted with the responsibility of leadership in every branch of national life. It is like an electric current that flows from group to group, from person to person, charging them with new zeal and overriding any hypochondriac pessimisms.

The current is so strong that there is perhaps an element of danger in the new self-confidence. The danger is that the pendulum may be allowed to swing too far in the other direction—toward smugness and social reaction. There may be a disposition in some quarters to dispense with the specific social gains and the broadened human outlook which have been acquired in the preceding period of economic trouble and political soul-searching.

To detour that danger, it seems to me, we should bear in mind always that our people's capitalism must justify itself continually in deeds. It must justify itself in jobs, continuity of employment, an ever-greater feeling of security for the average man. It cannot rest complacently on selfishness. Every legitimate self-interest must be balanced by some public good, or it is certain to defeat itself. No matter how they may be disguised, actions and policies by any group—management, labor, farming, government—which in effect cheat the public, exploit labor or persecute capital must end in failure. Such selfishness is not only morally wrong; as a practical matter it is in the long run ineffective.

The diverse elements in our national life can work together, as partners in a joint effort. They can prosper together, as complementary parts of a prosperous community. Or they can give rein to greed, strife, and misunderstanding. To a greater measure than most of us realize, the choice rests with each one of us.

Our faith, as I have said, stems from a consciousness that the ingredients of greatness are here, at our disposal. But we know that the process is not automatic. Whether those ingredients will be properly used depends, in the final analysis, on human will and human intelligence.

The two essentials in the American pattern of life and thought are FREEDOM and OPPORTUNITY. These were the values for which men and women of many nations, races, tongues, and cultures uprooted themselves to come to America—from the first boatload of colonists to the latest shipload of immigrants. They were the goals for which generations of pioneers ventured into the unknown West, into hazardous economic undertakings, into scientific and technological explorations. And today they remain the most vital national values. As long as we continue to measure events, institutions, and programs with the yardsticks of freedom and opportunity, we cannot stray too far from the highroad of the great American adventure.

A kindly Providence has endowed this continent with all that mortal man needs to live amply, happily, and at peace. Those who came to share the providential largesse had the great additional advantage of starting from scratch. Their obligations were not to any master, but to themselves; not to the past, but to the future. They were not labeled and confined forever to some special social class, but left free to express the best that was in them as individuals.

Here, for not much more than two hundred years we have therefore been evolving a new civilization and a new race of men on the foundation of that natural abundance. Any metallurgist will tell you that the toughest, most resistant metals are not "pure" ores but alloys that blend the most valuable qualities of many ores. It is thus with the American, who fuses in his blood and his spirit the virtues and vitalities of many races, creeds, and cultures—giving us an amalgam that is new, unique, and immeasurably strong.

That is why tolerance is necessarily and rightly a supreme

American characteristic. It is, in truth, another word for freedom. If ever the sad day arrives when our tolerance begins to crumble and decay, we shall know that the adventure is ended. Happily that day is too far off to be discerned.

True, there are crackpots and psychopaths and even foreign agents in our midst who preach group and race hatreds. But they are few and without authority, morally outcast and despised by the overwhelming mass of Americans. They seem more numerous and stronger than they really are because they shout so shrilly, and also because the exception always attracts more attention than the rule. The fact that they are so conspicuous is further proof that such men and their ideas "don't belong" in our free country.

The fascist-minded under various labels, the racialists, the super-duper nationalists, the pathetic and despicable stooges for foreign dictatorships—all of them are excrescences. As long as the American body politic retains its democratic health it can resist them as readily as a healthy human body resists germs. Such minor successes as these people may have scored in recent years were symptoms of our social and political ills, and will be wiped out in the period of restored vitality which we have now entered.

We Americans are a warm, generous, friendly people. We need seek no special credit for this, because at bottom these qualities are the proofs that we have been a lucky people. Our tolerance and open-handedness are the results, in large measure, of the spaciousness and natural wealth of our country. There was no inducement to the niggardly spirit, no reason for the murderous envies that have defaced other civilizations in this and former times. The polluted breath of tyranny has always and easily been swept away by the clean winds over our great prairies and towering mountains.

As a nation our nerves are steady and our heart is in the right place. The willingness to save life by losing life for great ideals has been demonstrated by Americans on a score of battlefields.

Our spirit is robust, hardened by recent adversity, and refined by recent sacrifice. We can confront the future not with empty bravado but with true courage; and with an optimism based not only on inner certainty but on a conscious dedication to the American dream of justice and happiness for all.

If ever humankind and geography have been brought together under the most propitious circumstances, it is here in the United States of America. One feels almost that the kindly Providence which contrived this miracle is watching anxiously to see how the epic test of man's capacity for grandeur is working out. Can man, thus richly dowered with all the prerequisites of greatness, live up to his magnificent opportunity? Can he temper his spirit and lift his mind to new and unprecedented levels?

If he can, then this is AMERICA UNLIMITED.

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